Y 4. Ag 8/1: 97-TTT

FARM CRISIS ACT OF 1982

COMPLETED ORIGINAL

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

H.R. 6274

MAY 25 AND JUNE 9, 1982

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FARM CRISIS ACT OF 1982

TUESDAY, MAY 25, 1982

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to call, at 10 a.m., in room 1301, Longworth House Office Building, Hon. E de la Garza (chairman of the committee) presiding.

Present: Representatives Jones of Tennessee, Rose, Weaver, Harkin, Bedell, English, Fithian, Glickman, Whitley, Daschle, Stenholm, Volkmer, Dorgan, Albosta, Wampler, Hagedorn, Coleman, Marlenee, Hansen, Stangeland, Emerson, Napier, Skeen, Gunderson, and Chappie.

Staff present: Robert M. Bor, chief counsel; Robert T. Lowerre, associate counsel; John E. Hogan, minority counsel; Peggy L. Pecore, clerk; Steven McCoy, Bernard Brenner, James W. Johnson, Jr., Gerald R. Jorgensen, Floyd D. Gaibler, and David A. Ebersole.

[The bill, H.R. 6274, and the report from the U.S. Department of Agriculture appear at the conclusion of the hearing.]

OPENING REMARKS OF HON. E de la GARZA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

The CHAIRMAN. The committee will be in order.

The committee meets this morning to initiate our hearings on the legislation H.R. 6274.

I would advise our guests that we may periodically have to leave during the morning. The House is considering the very important budget legislation which, unfortunately, when we scheduled the hearings for this legislation, the budget was not set for this week. So, in order to allow Members to participate in the very important budget deliberations, we have decided to hear the witnesses who are here today and have come from out of town. We will then continue the hearings at a later date so that we might not interfere with the floor discussion of the budget process.

Again, I repeat, during the course of the morning, we may have to either change presiding officers or suspend while Members journey to the floor.

If there is no objection, we have some written testimony from the American Cotton Shippers Association and the National Cotton Council which we will place in the record at the end of today's testimony.

Mr. Wampler's prepared statement will be placed in the record at this point.

[Prepared statement of Hon. William C. Wampler follows:]

PREPARED STATEMENT OF HON. WILLIAM C. WAMPLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. Chairman and Members of the Committee, we all know the farm sector and the economy as a whole is in a recession. I am hopeful that the recession has "bottomed out" and that interest rates soon will decline. However, at the present time farm commodity prices are much lower than I like to see them and high interest rates are keeping farm production costs high. This situation distresses me no end for I am of the firm opinion that farmers are the backbone of our nation, are highly productive, and contribute substantially to our balance of payments.

However, in my opinion, H.R. 6274, the Farm Crisis Act, is not going to be the vehicle to bring the farm sector out of a recession. It is an Omnibus Farm Bill of several titles that is more likely to cause more problems for farmers once it reaches the Floor and becomes amended "right and left" with germane but troublesome amendments relating to such subjects as dairy, peanuts, tobacco, and other programs.

Secretary Block forwarded to me last week a table listing "Assistance to Farmers fiscal year 1980-1982" that indicates nearly $20 billion in assistance programs to farmers in fiscal year 1982. I am fearful that going to the Floor with a bill such as H.R. 6274 will only get us into a bidding war with "bailouts" for other sectors and will wind up hurting all farmers and hurting certain groups substantially.

Meanwhile, the American Farm Bureau Federation says it "cannot support the Farm Crisis Act of 1982" in its present form. The National Cotton Council states "we believe it is unwise for the committee to subject agriculture to a possible bloodletting on the House floor on a piece of legislation that does not provide the answer to the fundamental problems of agriculture."

The Corn Growers have not filed a statement on this bill, nor do I have the views of the American Soybean Association or the National Wheat Growers.

In addition, the attached speech given in St. Louis recently by Assistant Secretary of Agriculture William G. Lesher reflects some underlying strengths in farm markets. What Secretary Lesher points out is that by tying up U.S. grain acreage for years as suggested in H.R. 6274 farmers may be creating their own "self-imposed embargo." For while they reduce acreage of wheat, Canada will be increasing its acreage. While coarse grains are reduced in the United States, other countries such as Brazil and Argentina may well be increasing their acreage and capturing our markets much as happened in the 1980 Embargo.

I think everyone acknowledges that this bill is too late to place an acreage diversion or set-aside program into effect for 1982 crops. We should reflect carefully then on what we do in marking up and reporting such a bill.

I am sympathetic to the plight of the farmer as I believe I indicated in my fight on their behalf for the Agriculture and Food Act of 1981 that we passed last year. I do not believe H.R. 6274 is overall a helpful bill for American farmers, but I am willing to listen attentively to statements and recommendations for solutions. In saying this, I do not mean to in any way question the motives, sincerity, or good intentions of those who sponsored, cosponsored, or support the bill. Meanwhile, I and others on this side of the aisle will have some of our own recommendations as these hearings proceed.

[Attachments to the statement are held in the committee file.]

UNITED STATES DEPARTMENT OF AGRICULTURE
Assistance to Farmers
FY 1980 - 1982
(Dollars in Thousands)

	FY 1980	FY 1981	FY 1982	
On-Going Programs				
Loans				
CCC:				
Commodities	3,865,625	5,623,236	10,789,071	
Storage Facilities	362,560	225,865	108,374	
Subtotal	4,228,185	5,849,101	10,897,445	
FmHA Ownership and Operating	1,908,600	1,735,000	2,309,600	
Subtotal, Loans	6,136,785	7,584,101	13,207,045	
Commodity Purchases and Other Payments				
CCC:				
Dairy Purchases	1,262,386	1,990,657	2,124,140	
Other Commodity Purchases b/	1,380,948	512,624	334,921	
Deficiency Payments	79,232	- -	1,150,972	
Subtotal	2,722,566	2,503,281	3,610,033	
Conservation Cost Sharing:				
ASCS	231,010	257,813	273,433	
SCS	153,507	146,536	143,412	
Subtotal	384,517	404,349	416,845	
Subtotal, Commodity Purchases and Other Payments	3,107,083	2,907,630	4,026,878	
Total, On-going Programs	9,243,868	10,491,731	17,233,923	
Emergency Programs				
Emergency Disaster	2,266,900	5,112,300	1,900,000	a/
Economic Emergency	2,185,500	1,245,400	- -	
Disaster Payments	257,753	1,029,905	258,500	
Total, Emergency Programs	4,710,153	7,387,605	2,158,500	
Grand Total, Assistance to Farmers	13,954,021	17,879,336	19,392,423	

a/ Emergency loan level may be established as needed.
$1.6 billion shown in President's budget
$1.9 billion currently available
$2.8 billion tentatively approved by OMB if needed later in the year

b/ Includes feed grains, wheat, rice, soybeans (in FY 1980 only), rye (FY 1980 and 1981 only) vegetable oil products, soybean products.

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The CHAIRMAN. The first witness this morning is Mr. Charles Wofford, representing Cotton & Grain Producers of the Lower Rio Grande Valley, Raymondville, Tex.

Mr. Wofford, we welcome you and we will be happy to hear from you at this time.

I might also advise our guests that we will allow you a 10-minute period in which to present your views. Should you require more, we can work it out at that time, but it would be appreciated if it could be done within the 10-minute framework, with the exception of the panel of four from Indiana. We will play it by ear.

STATEMENT OF CHARLES WOFFORD, EXECUTIVE DIRECTOR, COTTON & GRAIN PRODUCERS OF THE LOWER RIO GRANDE VALLEY

Mr. WOFFORD. Thank you, Mr. Chairman.

Mr. Chairman, members of the House Agriculture Committee, and ladies and gentlemen, I am Charles W. Wofford, executive director of Cotton & Grain Producers of the Lower Rio Grande Valley of Texas, a certified producer organization.

I am here on behalf of our members to convey our thoughts concerning the Farm Crisis Act of 1982.

Let me first address the portions of this proposed bill that we feel would not be in the best interest of the farmers in our area. I realize that this bill covers feed grains, wheat and rice, as well as cotton. But for clarity, I will limit my remarks to cotton as I am more familiar with the cotton programs, both past and present, than with feed grains. I will not discuss wheat or rice as we do not produce either in our area.

The 5-percent paid diversion that would be offered in return for diverting an additional 5 percent of the 1982 crop would not be beneficial to our area. We note that the signup period would be extended until the final certification date. Our final certification date was a week ago yesterday, May 17. Therefore, I see no possible way that we could participate.

With regard to the proposal for a nationwide referendum in July, that would allow farmers to vote on the proposition of setting aside 15 percent of their cropland for conservation purposes, we believe that any referendum should be on a commodity basis. We do not believe that action of wheat farmers, for instance, should be allowed to dictate the cultural practices of cotton and feed grain farmers in the Lower Rio Grande Valley of Texas.

In the event the referendum should fail, the cotton farmer is placed in the exact same position due to the timing of the trigger mechanism for cotton which would force the Secretary to act. Everyone knows that the total domestic carryover on cotton will exceed 4.2 million bales on August 1, 1982. This is the end of the marketing year, and the date the Secretary would be required to establish a program exactly the same as the one defeated in referendum.

I submit that August 1 will not give the Secretary sufficient information to make a reasonable decision providing he was given a choice. In the event this same program had been in effect last year, the 15 percent rollback in cotton acreage announced in February

1982 would not be in effect, because on August 1, 1981, we only had a little over 2 million-bale carryover on cotton. Therefore, the current program would not have been installed.

Under both options addressed in this bill, the icing on the cake is an increase in loan rates. First, if the farmer complied with the 15-percent reduction in acres for production, he would be granted a 10-percent increase in the base loan rate. Second, if he chose to place 25 percent of his cropland into a conservation program, he would be granted a 10-percent increase in base loan rates. We do not think that these increases are, or should be, necessary.

We believe that the commodity loans are available solely as a marketing tool and should be kept well below the cost of production to eliminate a reoccurrence of a 16-million-bale surplus on cotton, all in the loan program, which occurred in the late 1950's. We believe that commodity loans in reality help establish a ceiling on commodity prices, rather than a floor. The mere fact that the commodity is in surplus and is available creates this trend.

We do agree that a reduction in acreage is one way to reduce production and increase prices. We also believe that improved marketing should accompany the acreage reductions if we are to truly reach a price plateau that will allow our commodities to flow through a free market with a realistic profit for our farmers.

We have always believed that a market-oriented farm economy in the final sense is the only way to go. However, recognizing the disgraceful monetary levels to which our farm economy has reached, we would recommend that any acreage reduction be mandatory. The penalties to be applied under this proposed bill would be sufficiently drastic to meet this criteria. Second, as recommended in this bill, we believe that any reduction in acreage be applied equally across the board on cropland, abandoning any reference to bases or allotments.

These nondiscriminatory reductions in acreage could only be accomplished by removing any payment limitations where these commodities are concerned. To be effective, the reduction in acreage must be applicable to everyone. If they are sufficiently large enough to effectively reduce production, then theoretically prices will rise and there would be no need for payment limitations as there would be no payments.

However, I feel that we all are aware of the real reasons we are in the present situation. The narrow margin by which our present farm act was passed should be remembered. Probably none of us were overly satisfied with the 1981 farm bill, but I think we all realized that it was the best we could do at the time, and I am not at all sure that we can even do as well under the present atmosphere in both congressional bodies as we did in December 1981.

A continuing fallout from the grain embargo, high interest rates, a declining economy along with a year in which Mother Nature assisted the farmer in breaking all previous production records, all helped cause our present economic dilemma. I also feel that any change should complement our present program and not afford an opportunity to lose what we have gained.

We are certainly in favor of increased agriculture credit for the revolving fund. Any increase in available credit for farm storage facility loans would certainly be on the plus side.

The use of the economic emergency loan program would be of great help, and any trade or bartering agreements that would facilitate the export of our farm commodities would be welcome.

However, the Secretary already has the authority to initiate all of these programs, except for the appropriation of funds to implement the export revolving fund. Therefore, I do not think that now is the time to expose the farmer to a possible deterioration or even annihilation of the present program prior to some reasonable assurances that we can better the situation, without the probability of losing much more than we stand to gain.

I have been authorized to say that there is written testimony compatible to mine on record from the Delta Council of Mississippi.

I respectfully submit this.

Mr. DASCHLE [acting chairman]. Thank you very much, Mr. Wofford, for your testimony.

The chairman has asked that we ask the first four witnesses if they would be willing to stay in the committee room until all four have completed their testimony and at that time we would like to be able to bring you back for some questions. I certainly have some. I am sure other members do too. If that would meet your satisfaction, I think we will proceed in that manner.

Thank you for coming. We appreciate your testimony.

Our next witness is Mr. Marvin Meek, the head of the American Agriculture Movement in Washington, D.C.

I am not sure whether your title is president or chairman. I know you speak for the American Agriculture Movement with eloquence and a great deal of authority. We are delighted to have you.

As you are bringing your tesitmony before the committee, I have been asked by Mr. Chuck Frazier if we could submit the statement of the National Farmers Organization into the record at this time. I will do so.

I would like the opportunity to ask Mr. Frazier to come to the committee at our next hearing on June 9. They certainly have been instrumental in giving us direction as the Farm Crisis Group has met and have provided a tremendous amount of input to us as we have gone through this process. So to them I want to extend my sincere gratitudc and also my expression of hope that we can have them before the committee at a later date.

Thank you, Chuck.

[Mr. Frazier appeared at the June 9 hearing as a witness.]

Mr. DASCHLE. Mr. Meek, if you want to proceed in any way you see fit, we would be delighted to take your testimony.

STATEMENT OF MARVIN MEEK, NATIONAL CHAIRMAN, AMERICAN AGRICULTURE MOVEMENT, INC., WASHINGTON, D.C., ACCOMPANIED BY DAVID SENTER, NATIONAL DIRECTOR

Mr. MEEK. Basically I just have some comments that I am going to ad lib, then we will enter my statement.

I am accompanied by David Senter, national director here in Washington.

You know, it seems like in Washington we just kind of bury the dead and move on year after year. Here we are again with the same song, verse No. 401. Here I am testifying and a few Congress-

men trying to listen and thinking of where they have to be in the next 15 minutes from now, shuffling back and forth to the House floor. I wrote this yesterday, Mr. Chairman.

On the international scene, Russia won't release how bad their crop is, and our Secretary of course won't release how bad our farm income is.

It seems like more of the same year after year. Today may be a little bit different because this is probably the first time that a farmer from Texas is going to be able to declare that the United States is in a full-scale depression. So I will just go ahead and declare that right now. I think the President and the Congress should do the same.

If you really want to evaluate just how bad the situation is with the economy, if you were to take away the social security, the food stamps, unemployment compensation and all of the other social programs, I feel certain that we would have conditions today similar to those during the depression.

I would like to point out that the American Agriculture Movement has been telling Congress for the last 5 years we were going to have a depression and a deep recession, and it is here. Thousands of pages of testimony have been presented since 1977 and still, with all this testimony since 1976, we have lost nearly 1 million farmers.

Mr. Frank Ford of Hereford, Tex., in 1978 summed it up about as good as I have ever heard it. He came to you, it is a doomsday prophet, now I am coming back to his testimony and summary of his testimony as history:

> Ladies and gentlemen of Congress, our Nation today stands at the crossroads. Either agriculture will be lifted out of its current depression or very soon the whole Nation will join it in the worst depression since 1929 and the years following. Whenever there has been a depression on the farms, throughout our history, a depression in the entire economy has followed. President Truman had the good sense and the historical perspective to know this. He kept farm prices near parity, and the expected depression or severe economic recession did not occur after World War II. The family farm is the backbone, not only of the American economy, but of the American way of life as well. The fabric of our whole society is now threatened perhaps as never before. Firm leadership on your part must be exerted now if severe economic recession, depression, and perhaps even total economic collapse is to be avoided.

This is from Frank Ford, chairman of the board of Arrowhead Mills, Inc.

Well, Congress did not act in 1978 like they should have, and the results of Congress not acting was best portrayed on yesterday's front page of the Wall Street Journal. It had a couple of articles there. One is "Bankruptcy Wave," on the front right-hand corners of the Wall Street Journal. "Business failures hit postdepression high. Tide expected to swell."

A bankruptcy epidemic is sweeping American business and there is no letup in sight. Business failures are occurring this year at the annual rate of 80 per 10,000 companies. That is 29 percent higher than last year's rate and within striking distance of 1933's rate of 100 per 10,000. Bankruptcy filings are occurring in every industry just as we predicted they would. It is widely feared that struggling International Harvester Co. will file before long.

There are some other things here that I will go into in just a moment right here on the front page of the Wall Street Journal.

You know this article mentions economists several times. Well, the old farmer out there on a tractor producing for this country and the rest of the world thinks an economist is a steer trying to tell a bull how to do his job.

I was disappointed that this article did not point out the reasons for all of the bankruptcies. We have told Congress and we have told the public numerous times what is wrong. Now as members of the House Agriculture Committee and Members of Congress, you should point out to the press and media and the American people that agriculture is the largest industry in the United States, it employs 20 million people. And this is the part that is a result of this article right here, Mr. Chairman; the fact that agriculture consumes over 40 percent of the industrial output of the laboring people of this country can very well tell you why we are having bankruptcies all across America.

Now commonsense tells me, and it should tell Congress, that if the largest industry in the United States, which is agriculture, and the largest consumer can't buy, then people can't work because there is no need for productivity of industrial output. So we have to have unemployment, just as we predicted numerous times. If we can't buy, business can't sell, and if business can't sell, then bankruptcy and unemployment will spread.

When you compare farm income or the percentage of parity to the chart in the Wall Street Journal, which covers from 1972 to 1981, every time farm income goes down bankruptcies go up. When agriculture prices go up, the number of bankruptcies goes down. This has been true since 1972 with no exception.

So when is Congress, and especially this committee, going to quit listening to the steers that keep on telling the bulls how to do their job?

There are several organizations in this country and if any of them are against any part of the farm crisis legislation you are hearing today, they are probably not representing the farmer, and should be considered to be representing the grain merchants, cotton shippers, and buyers. And you can rest assured that they are not representing the producer but are instead representing everyone in the industry except the producer.

Some of these so-called farm organizations are against the referendum and the increase in the loan rate and I can see why these organizations would be afraid of a referendum, because these so-called farm organizations are doing to you like the mushroom farmer does his mushrooms, keeping you in the dark and feeding you horse manure.

As far as telling you what the real dirt farmers are wanting out in the country in legislation, if you doubt me or anybody else who is going to testify in favor of this, let us have a referendum. I think it is high time that the farmer got to speak up for what he really wants instead of having organizations do it. See which organizations are representing the interests of the farmers and which ones are representing the industry. It is your responsibility to find out what the farmers, and I mean the real farmers, are willing to do to keep farm prices up.

I have argued with Congressmen and other farm organizations to no avail. They have their opinion and we have ours. So I think it is

high time that we find out because nearly every political appointee in the United States today is philosophically attuned with the so-called largest farm organizations that believe in the free market and believe that they can export us to heaven.

The real farmer knows that all the free market system offers them is the freedom to go bankrupt. That is exactly what we are doing. The free market does not exist, it never has, and never will. Even the Secretary of Agriculture is hoping for a crop failure to raise farm income.

This is out of Minnesota, just read one question and answer that our illustrious Secretary of Agriculture had to say.

"Mr. Block," this is the question, "the current policy is having the effect of not only culling out the cows but the farmers too. How can we change that?"

Secretary Block replies, "Unfortunately, that is a necessary adjustment."

Question. "But can we get help?"

Block replies, "There will be no help for the next 2 years. Things will have to get worse before they get better."

Question. "In this area of three to four farm auctions each week in a radius of 20 miles, is there anything that the administration will do?"

Block replies. "We are paying for bumper crops of the last 2 years and the best thing that could happen in the farm sector would be some sort of worldwide disaster, a natural disaster, and something of that sort would bring farm prices up. Otherwise, the farm sector will just have to be shaken out."

The real farmer knows that this is just not the proper way to go about agriculture legislation. Who is right and who is wrong?

We predicted since 1968, talking about the American Agriculture Movement, we predicted we would have 20-percent inflation, 20-percent interest, 10-percent unemployment, Government debt would exceed $1 trillion and devaluation of land prices would occur, and it has occurred.

Recession and depression resulted from land prices. Corporate bankruptcies are what we have predicted for 5 years now and we predicted that if we stayed on the same tune we would have $4 wheat and be pushing that $4 wheat around with a $100,000 combine, and gentlemen, that is true today.

In 1980 I predicted right over here in a hearing that it would be impossible to come up with a deficit less than $100 billion with the current agricultural prices. David Stockman at that time was predicting that the administration would have a $36 billion deficit. I have been infuriated by the USDA and so-called organizations that have been disappointed in Congress for not recognizing the cause of the economic ills of the United States.

The hardest thing for me to swallow is to have the USDA and some of these organizations go into Europe and Japan, trying to get them to adapt our asinine agricultural policy that we have here in the United States; in the same breath while they are doing that, they are telling me that these farm organizations are against a referendum. And I can understand why.

We are proud of what the Farm crisis group has done. I think it is time for action. I think to cure the economic ills of this country

and the economic ills facing the farmers, you folks are going to have to act quick, and this committee has to act quicker than anybody else, and you have to sell it to the rest of the Congress.

We think better legislation would certainly be better for the economy of the country, something similar to the flexible parity bill that we had introduced years ago, but this farm prices bill is a step in the right direction and we commend you for doing so.

The CHAIRMAN. Thank you very much, Mr. Meek and Mr. Senter. We would appreciate your cooperation if you would remain for the questions when we hear the first section of witnesses.

[The prepared statement of Mr. Meek appears at the conclusion of the hearing.]

Mr. SENTER. Could I make just one comment?

We would prefer in the part of the Farm Crisis Act that paid diversion be dropped and use an increase in the loan rate as incentive. Farmers do not agree with getting a check from the Government. They would prefer a higher loan rate and that is one change in the legislation that we would hope can be made.

The CHAIRMAN. Thank you very much.

We invite you to listen to your other colleagues and then remain for questions at the end of the first panel.

I recognize the gentleman from Virginia.

Mr. WAMPLER. Thank you, Mr. Chairman.

Mr. Chairman, I have an opening statement that I would ask unanimous consent be inserted in the record immediately preceding the first witness and, in the interest of time, I will not make the statement at this time.

Thank you, Mr. Chairman.

The CHAIRMAN. Without objection it is so ordered.

[The prepared statement of Mr. Wampler is inserted preceding the first witness.]

The CHAIRMAN. The next witness is Mr. Dale Angel, director, legislative research and policy development, Midcontinent Farmers Association, Columbia, Mo.

We will be very happy to hear from you at this time, Mr. Angel.

STATEMENT OF DALE ANGEL, DIRECTOR, LEGISLATIVE RESEARCH AND POLICY DEVELOPMENT, MIDCONTINENT FARMERS ASSOCIATION

Mr. ANGEL. Thank you.

I am Dale Angel with MFA. I would point out, MFA is a regional farmer cooperative headquartered in Columbia, Mo., with farmer members throughout Missouri and the Middle Central United States. Our membership sincerely appreciates this opportunity to convey to your committee the seriousness of the economic squeeze now being suffered by farmers and to urge improvements in farm policies and programs.

The past 2 years were devastating to farmers. Net farm income in both 1980 and 1981 was down by one-third from that received in 1979. Farm exports originally forecast at $48 billion for 1981 ended at $44 billion. In 1980, land prices failed for the first time in nearly a decade to keep pace with inflation.

As devastating as these 2-past years were for farmers, 1982 is developing as one of the worst years ever.

Latest figures from USDA indicate that net farm income will be in the $14-$15 billion range—down 50 percent from 1979. Adjusted for inflation, this year's income would be less than that received by farmers in 1933—the previous lowest year on record.

The value of farmland on February 1, 1982, was 1 percent below that of a year earlier. This was the first decline in land prices since 1954.

Farm exports are expected to fall in 1982 to around $40 billion—about $10 billion below trend. Prior to this year, farm exports had increased for 12 consecutive years.

Prospects for improvements in farm income do not seem bright any time within the near future. Record or near record production of several major crops occurred in the United States last year. Crops produced in the Southern Hemisphere, and just now entering the world market, were at high levels. It appears likely that reduced 1982 crop acreage in the United States will be offset by increased acreage in other major crop-producing countries. Therefore, unless drought or other natural disasters reduce crop yields, here or abroad, world grain stocks will likely increase over this year's high levels—resulting in downward pressure on prices.

This dismal forecast is supported by USDA which expects the average price on wheat to drop from $3.91 last year to $3.70 this year. It expects the average price of corn in the current marketing year to be between $2.40 and $2.55 per bushel—down from $3.11 last year. It expects soybeans to drop over $1.50 per bushel from last year down to $6.05 this year. This would be the lowest price—adjusted for inflation—in 10 years. At these levels, market prices of these commodities as well as most other major crops, will continue to be well below the cost of producing them.

The Agriculture and Food Act of 1982 was enacted by Congress and signed by the President because of the continued recognition that farm income cannot be allowed to fluctuate as widely as commodity prices do. But when most of the provisions of the 1981 act are administered at minimum level and several discretionary provisions go unused, the resulting farm program fails to provide the safety nets needed for farmers to survive. Because the survival of farmers is at stake, we urge Congress to take action to improve prices on 1982 commodities. Enactment of the Farm Crisis Act of 1982 would provide some needed benefits.

We agree with the analysis of H.R. 6274 by the Congressional Budget Office and with supporters of the bill that it is cheaper to avoid production of surplus commodities than it is to make price deficiency and storage payments for commodities after they have been produced. Therefore, we support the concept of a paid diversion program, and we are disappointed that the administration did not implement such a program for 1982 crops.

But because the wheat harvest is upon us and spring crops are largely planted, participation in the 5 percent land diversion program at the rate provided in the bill would be unattractive to many producers. An increase in the diversion payments to cover planning costs or an increase in the loan rate or those who divert

the additional 5 percent would likely increase participation and therefore more fully meet program objectives of H.R. 6274.

Higher loan rates would reduce the Treasury's exposure for deficiency payments. They could possibly encourage enough participation to raise market prices above target levels.

As a minimum the 10 percent loan rate proposed in the bill for 1983 crops should be made effective on the 1982 crops for those diverting the additional 5 percent this year.

At this time MFA does not have a policy on the nationwide referendum. Unfortunately our resolution process through which our policies are developed will not be complete until late summer. However, because the referendum would provide farmers an opportunity to vote on two options, both of which are improvements over this year's farm program, it is our sincere belief that our members would welcome the opportunity to participate in the referendum.

We support the concept of requiring the Secretary of Agriculture to establish a voluntary set-aside program when the carryover reaches burdensome levels.

MFA has previously testified before this committee in favor of an adequately funded Agricultural Credit Revolving Fund. With the level of U.S. farm commodity exports dropping for the first time in 13 years—at a time when our commodity stocks are at burdensome levels—it is even more essential that such funds be made available as soon as possible. Therefore, we urge the Congress to assure that at least $1 billion is made available for the revolving fund, and mandate the administration to use the fund as needed to increase our farm commodity exports. Such action should help to partially offset the aggressive approach used by competing nations in expanding their exports at the expense of U.S. farmers.

We also urge the administration to reinstate fully, and the Congress to authorize, additional funding for the farm storage facility loan program. The 1982 farm program, as announced by the administration, places too great a reliance upon the farmer-held reserve to achieve increased prices for farmers. It leads to large stocks of grain at a time when farmers find it difficult to build enough storage for the multiyear reserve stocks. Coupled with this provision, we urge that the interest on reserve loans be waived as soon as grain is placed in the reserve.

To supplement the farm storage loan program, we urge that FmHA be authorized to guarantee leases which are in reality financed purchases of equipment and single-purpose buldings. This would permit beginning and other low-equity farmers to take advantage of Investment Act credit provisions of the Economic Recovery Tax Act of 1981 by passing the tax credits on farm storage facilities to the lender and greatly reducing interest costs to the farmers.

The FmHA can now guarantee loans for the purchase of these items. Therefore, we are not asking for anything essentially new. We support making the emergency economic loan program mandatory to assure that farmers who are good managers are able to remain in business. We are only asking that those leases which qualify for investment tax credits, and which are indeed financed purchases, be eligible for FmHA guarantees, just as loans for financed purchases are eligible for FmHA guarantees.

We support making the economic emergency loan program mandatory, and that it be used extensively by the Farmers Home Administration to assure that farmers who are good managers are able to remain in business. Surely if there is justification for an economic emergency loan program, it is during this current year which will likely be the lowest real farm income year on record.

We also support a directive for the President to call a White House Conference on Agriculture. The division among commodity groups within both the Senate and House Agriculture Committees indicates that farm programs as developed and updated over the past 50 years may not be continued beyond 1985. Therefore, farmers must view the 4-year life of the 1981 farm act as possibly a transition period toward lesser involvement of Government in agriculture. A White House Conference could serve as the beginning point to examine new directions for governmental programs, and new solutions for recurring farm problems.

To be effective participants in the White House Conference, farmers must first recognize that the divisions among congressional commodity groups occur because State and national commodity groups were divided. Therefore, farmers must seek unity among their diversity beginning at the local level.

By working together these next 3 years, a unified farm sector, a responsive Congress, and a sympathetic administration can help agriculture to overcome the farm crises of 1982 and begin to emerge as America's most dominant industry. To the extent this is done, farmers will finally begin to achieve the profitability necessary to stay in business. Their reliance upon Government programs could be greatly reduced.

Mr. Chairman, we thank you for the opportunity of expressing our views.

The CHAIRMAN. Thank you very much, Mr. Angel. We also invite you to remain for questions after the next witness.

The next witness is Mr. Gibson Gray, farmer from Fairland, Ind.

STATEMENT OF GIBSON GRAY, FARMER, FAIRLAND, IND.

Mr. GRAY. Mr. Chairman, I feel honored and humbly privileged to be given an audience in a meeting that we hope might change the destiny of agriculture.

As Mr. Meek said, I am a dirt farmer. I live in central Indiana. I have farmed for 54 years. My wife and I and our two sons own and operate a seed business. We raise, process, and retail hybrid seed corn, soybean, and wheat seeds.

I have had a dairy herd, I have raised beef cattle, and I have raised hogs, and I understand their problems.

In our business I contact a lot of farmers. Many of them won't be farmers long because the low prices of commodities now, between 50 and 60 percent parity, will not meet the expenses. They continue to stay in business by running on their depreciation; that is, no replacing equipment. The farm economy is the worst it has been since the thirties.

I might add that every time there has been an overproduction since the thirties, the farmer has been in trouble.

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I agree with you that we need to control production in order to get prices above cost of production levels. I think your proposed H.R. 6174 bill is better than the last farm bill passed by Congress but I would like to propose to you another method to control production that I think is much less complicated, more efficient, is less expensive to the taxpayer, and more acceptable to the farmer because it gives him more freedom.

I want to give credit to three persons in helping me get this proposal off the ground: Mr. Thomas Budd, editor of the Indian Prairie Farmer; Mr. Martin Hoffman, farmer from Hebron, Ind., and Mr. Virgil Cesinger, farmer from Terre Haute, Ind.

I am glad that there are reporters present so that my land retirement referendum proposal could get President Reagan's attention. This is a program I believe he would approve because it gives the farmer an opportunity to control their own production, and not be dictated to by the Governmment. It also is much more economical than other programs.

I believe you have my land retirement referendum proposal before you. I would like to go through that.

This referendum, if passed by 55 percent of farmers voting, would make it compulsory for the following: Each farmer must idle a percentage of his tillable acres each year. The percentage would be adjusted annually by farm representatives and the Secretary of Agriculture according to the need, and the idle acres would be rotated on a 5-year basis. The idle acres would not be paid for by the Government and the Government would not be required to make crop loans or deficiency payments.

This program would be administered by ASC office and $300 per acre fine would be assessed for acreage exceeding quota. The planted acreage may be planted in any crop desired. The Government should retain a large reserve as an insurance against crop failures or large export demands. This reserve could not be released under 80-percent parity.

Since this program eliminates land retirement payments, crop loans and deficiency payments, then part of this savings should be made available via the Farmers Home Administration to desperate farmers until controlled production raises prices of various commodities.

This referendum is an instrument that the farmer can use to control his own production. Obviously an extensive educational program is required prior to the referendum vote.

I would like to go a little bit more into detail on the reserve. This reserve the Government controls could not be sold to anyone below the 80 percent parity. The approximate amounts needed for reserve: 1 billion bushels of corn, one-half billion bushels of wheat, one-quarter billion bushels of soybeans, and so forth.

Instead of paying farmers not to produce, the Government could buy these reserves. This would be a one-time-only deal. This is also insurance to the American people that they will not be hungry. This would give the farm economy a shot in the arm immediately. Also, other businesses would benefit. I think your present proposed bill would take at least 2 years before any effect would be noticed by the farmer, immediately when the Government buys up the reserve. Thus more Federal taxes back to the Government.

When you get the farm prices back to 80 percent parity, the increase in Federal income taxes will be between $7 to $8 billion. This is easy to calculate. Take corn, for example, 1981 crop production, 8 billion bushels; after a 15-percent land retirement, 7 billion bushels will be produced. At $1.50 per bushel profit, that is the difference between 1981 price and 80 percent parity, times the 7 billion bushels, brings it to $1.5 billion. We assume at a 40-percent tax bracket, that nets $4.2 billion taxes to the Government just on corn alone.

I realize, and you do, that all the corn is not sold but goes to livestock, but it would still affect taxes the same way. Now it is going to cost the Government approximately $3 billion to buy this reserve in corn, but that is one time only. So what better way could the Government invest money than to put out $3 billion and get back $4.2 billion, and the following years after that. I said $4.2 billion, that is on corn alone.

Now I would like to speak a word about parity.

At this time 80 percent parity is approximately corn, $3.90 per bushel; wheat, $5.70 per bushel; soybeans, $10 per bushel; cotton, 93 cents per pound; milk, $16 per hundredweight; hogs, $66 per hundredweight; beef cattle, $74 per hundredweight. The farmers have become so efficient that they do not need 100 percent parity.

Too high prices are as bad as too low prices. We price ourselves out of the market. The reserve that the Government releases at 80 percent parity would act as a ceiling.

This land retirement program would not only stabilize feed grains, but would stabilize livestock and dairy products because when price of grains get higher so that there is a profit, many farmers will not raise livestock or milk cows.

As I mentioned before, in our business I contact a lot of farmers. More than 90 percent are in favor of this plan.

If you know farmers as well as I do, you would understand why this H.R. 6274 bill will not be as effective as you hope for. The reason, a lot of farmers will say that you idle their land and the prices will go up. So we will produce all we can, and the less the participation, the greater the cost to the Government or taxpayers.

I believe that you Congressmen are primarily interested in two things, the good of our Nation and votes.

In conclusion, if you Congressmen pass a bill causing the Government to pay the farmers billions of dollars annually to control production, do you think that the nonfarm voter will support you at election time? Is it worth this gamble when you have an alternative that is a sure thing and inexpensive to the voters.

If you do not have confidence in this land retirement referendum, I challenge you to incorporate in with your H.R. 6274 bill and let the farmer decide which one he prefers, the one that you pay him to retire acres or the one that he retires freely?

I thank you.

The CHAIRMAN. Thank you very much, Mr. Gray.

If you will kindly remain there, we will now invite the other witnesses of this morning to come to the witness table; Mr. Wofford, Mr. Meek, and Mr. Angel.

Thank you very much for your testimony.

We have a little rule as to how members are recognized for questions.

According to custom, Mr. Daschle, do you have any questions?

Mr. DASCHLE. Thank you, Mr. Chairman.

I want to thank all of our witnesses so far this morning for their testimony. It has given us some real insight as to what various organizations from around the country perceive the crisis to be and also the solution.

What we have tried to do in this legislation is to fashion a compromise by taking into account the various regions of the country, and the very diverse philosophies. We have tried to meld together a piece of legislation that may not be to our liking completely, but certainly it represents what we all believe to be a major improvement over what we have today.

What I would like to ask initially is whether or not the four panelists agree with some unanimity that the current legislation--in spite of the fact that you can all see ways in which you would improve the legislation—as it is written would enhance our supply management? Does anyone disagree with that, the supply management of the crops.

[No response.]

Mr. DASCHLE. If that is the case, let me ask the second question then.

Do you believe if we can enhance our supply management we can also then raise our price? Does anyone disagree with that?

[No response.]

Mr. DASCHLE. So I think what you are telling me then with unanimity is, first of all, that you do believe we are enhancing our ability to manage the supply and, second, in doing so we are probably enhancing our ability to obtain a better price.

Having said that, then are there any questions or any comments about that? I do not want you to feel hesitant to speak up.

Mr. Angel?

Mr. ANGEL. As I pointed out in our statement, it seems to me that under the present program the administration is relying too heavily upon the reserve and not enough upon set-aside and other programs that the Congress has laid before it, if they would but use those other provisions.

Mr. DASCHLE. Mr. Wofford?

Mr. WOFFORD. I want to make sure that I understand your first question. Would you restate that, please?

Mr. DASCHLE. One of the fundamental assumptions that we made in drafting this legislation is that we had to establish a mechanism by which we could better control the supply of our commodities, and what we had hoped to do in writing this bill is to provide that mechanism.

What I am asking you is, in spite of the fact that you could probably come up with even a better way from your own vantage point to do that, would you agree that this bill does provide a better way in which to enhance our management of the supply? And by your nonanswer, I think everyone would agree that that is the case; would you agree?

Mr. WOFFORD. I would agree that certainly by reducing the supply we will be eventually increasing the prices, yes.

Mr. DASCHLE. Good.

Marvin?

Mr. MEEK. Yes. I would like to say it is a step in the right direction. However, I do not believe in supply and demand right now and if you are going to adjust supply, it seems to me like when you have 1,000 bushels in the bin and the demand is 999 bushels, then the whole 1,000 bushels is a surplus until that 1 bushel is gone. Adjusting supply is important as long as we adjust to when there is a shortage, which is not necessarily so. That is why we want to see, for example, the paid diversion go into the increase in the loan rate because supply and demand doesn't work.

Mr. DASCHLE. Let me ask another question.

Obviously part of our ability to control supply is determined by what kind of participation we get. I would like to ask you as a group, and anyone can respond, by providing the incentive we do on one side, an increase in the loan rate, and on the other side a 3-year nonaccess to any farm program, our feeling here is that those who feel Government ought not to be involved in agriculture have a right to prove their philosophy. If they do not want involvement, here is their opportunity for that.

Here is a combination of incentive and disincentive. Mr. Gray, I think, commented on the need for even a stronger disincentive. What kind of participation do you think we could get with that kind of a program?

Mr. Gray?

Mr. GRAY. How much participation did you get in the last program?

Mr. DASCHLE. We do not think there is a relationship there only because there was not a disincentive in the past.

Mr. GRAY. There is some relationship and we have these kinds of controls over many times in the past years. It is always slow and takes a long time. And agriculture can't wait.

Mr. DASCHLE. Do you all believe that there would be an improvement in participation under this program?

Mr. GRAY. A little bit, but still it is way, way short.

Mr. DASCHLE. Marvin?

Mr. MEEK. I agree with you. You have to put some teeth in it to make it effective, and I think the farmers out there are ready to have some teeth in it to get a higher percentage of participation. You are still leaving the wildcatters, they can do what they want to, they do not have to participate.

If Secretary Block can raise $2 corn in Illinois, then he is free to do so. I mean he can market it. We have marketing problems all over the country because of lack of storage and other things that people will be forced into the program. I think that is a move in the right direction, because you named your bill properly, this is a farm crisis legislation, we sure have a crisis out in the country and we have had one for a while.

You have to take drastic measures to correct it. So I commend you for your disincentive. I think it is a step in the right direction.

Mr. DASCHLE. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Dorgan?

Mr. DORGAN. Thank you, Mr. Chairman.

I would like to make a couple of quick comments and ask you a question.

First of all, Mr. Meek, you were one who joined with us in the latter stages of our trying to meet with the President on agricultural issue, leaders of some farm groups joined about 40 Members of Congress, asking for a chance to meet with the President to talk about the current farm situation. He has not indicated a willingness to do that. I think that represents a real paralysis of leadership on farm issues. That is one of the problems we have trying to pass a bill like this.

One of the nice features of this bill is that it spends nearly $90 million less than the current farm program. I get letters from people who complain about the cost of farm programs. Some statistics are in order here.

The entire 1982 farm bill, not a very good farm bill at all, which is the reason we are here today trying to repair it, the entire 1981 farm bill, with all of its costs, 4 years worth of price supports, loans, Government purchase options, and so on, will cost $2 billion less than the cost overrun on the MX tank progam. That is an interesting statistic and I think worth understanding.

All of the programs since the 1930's for those who grow corn, wheat, cotton, tobacco, peanuts, dairy and so on, all of those programs have a cost of $36 billion; that compares with the cost overrun on the Navy's submarine, frigates and destroyers programs of $42 billion. All of those farm programs of the thirties cost less than the cost overruns in those three areas of Navy programs.

It seems to me that the question these days is what do we do? One of the options for Congress is always to do nothing. That is always an option, do nothing. My question is, what is the result of Congress and the administration doing nothing at this point for another year? What will result in the farm community, Mr. Meek?

Mr. MEEK. The same thing that is happening right now, only an escalation of bankruptcies, foreclosures on farms, I do not really feel like that—I know a lot of you Congressmen go home for weekends and you see right there in your own particular area, but I have been in about 35 States in the last 6 months and anywhere I am driving, anywhere, you see either notices of farm sales or the actual sales taking place.

We are liable to lose 500,000 farms in the next year because most of the farmers in a lot of the parts of the country right now, this is their last year unless things are turned around because their equities are about used up. We have been telling you all this for 5 years. I think some of you are aware of it. But the time for us to pay the fiddler because we have been dancing is coming up pretty soon.

Mr. DORGAN. Anybody else want to respond?

What if this Congress or administration does nothing and we continue for another year in exactly the same position?

Mr. WOFFORD. I think that if the administration did not do anything we would be better off on the whole than we are with what is suggested here. Once again I would like to state that most of the options in this bill are already available to the Secretary and the atmosphere in the House and the Senate does not appear to me to be as sympathetic even as it was in December in spending money.

You all are involved in a budget problem right now. And I would hate to see what we gained, though it was very little, in December sacrificed for something that would maybe not even be as good as what we have.

Mr. DORGAN. Do you understand that this bill costs less than the present 4-year farm bill in the law?

Mr. WOFFORD. Yes, sir. We are not instigating we should spend more money in the manner that you are hinting. Actually, if Mr. Gray cared to move to south Texas we would gladly make him an honorary member. We do not want the farmer to be paid for this. We feel that any reduction in acreage has to be mandatory or the penalty so great that everyone has to comply and you could not force that through.

This is the reason why the 15 percent rollback and these options have never worked very well because the people in the $50,000 limitation will not comply, there is no incentive for them to.

Mr. DORGAN. One other quick question.

Mr. Meek, we heard Mr. Shuman, the head of the Farmers Home Administration. He says, "Why, there ain't no trouble out there in America with respect to the Farmers Home Administration; we have plenty of money."

Mr. MEEK. Mr. Shuman and a lot of the people down at the Department remind me of a bunch of ostriches with their heads stuck in the sand. They very definitely do not understand the repercussions of what they are doing out in the country. If Mr. Shuman would like to go on a trip, I can show him. He can contact auctioneers, grass roots people. They can tell him they are booked up for 6 months in advance.

The FmHA has plenty of money to loan and they are not necessarily foreclosing on farmers, but they are refusing to finance a whole bunch of them. There is not a whole lot of difference from foreclosing and refusing to finance because those people are doing business at the bank of last resort.

The CHAIRMAN. Mr. Emerson?

Mr. Skeen?

Mr. Coleman?

Mr. COLEMAN. Mr. Chairman, I note Mr. Dorgan said the cost of this proposal would be in the order of $900 million under the farm bill. I think we all need to look at the budget to see where we can cut. I would hope that my colleagues would take a look at the food stamp proposal that I introduced 1½ weeks ago which would save about $1 billion for next year without disqualifying any eligible members from the rolls.

I would like to make a few comments and if any of the panel would react, that would be fine.

I notice at least in one of your testimonies you support the revolving credit fund for increasing exports. I totally agree with you. I think there is great support in this committee and in many other places in the Congress for this proposal.

As you know, this does not take an act of Congress. We have the authority now on the books for the President to support this. We are trying to convince the President that this is a positive thing, a good thing. It is not a bailout. I do not think we need to huddle under the shelter of the umbrella of a bailout. This simply is allow-

ing other countries to purchase American-produced grains from American farmers; it is not a direct payment to farmers or anything of this nature.

I would hope all of us on this committee could support this proposition. I certainly have taken our case to the present administration on this and will continue to do so.

The other thing which has not been discussed, not part of this legislation, I think it is also a crisis of sorts, is the numbers and problems we are having with grain storage, commercial elevators and warehouses today in the United States, grain dealers, also.

I know in my district we recently had a grain dealer walk away from purchases he had after he got the grain of the farmers in his hands. Bad checks were written and farmers had to shut down. We know of Wayne Cryts' condition in southeast Missouri. This is happening all over the country.

Last week a very large elevator in Ohio went bankrupt. I would hope that all of you and all the farm organizations represented would support our efforts in trying to bring to the floor, through the Judiciary Committee, bankruptcy legislation which we could at least use as a vehicle to go to conference with the Senate to be able to close that loophole where farmers are getting hurt as innocent third parties, when their grain is stored, and an elevator goes bankrupt. They are tossed into bankruptcy court and even in jail as a result of nothing they have done. It is certainly a miscarriage of justice.

I would ask your continued support. Any comments would be appreciated.

Mr. MEEK. You mentioned exports. I would point out exports increased over 800 percent over the last 10 years. We are still receiving the lowest prices in the 20th century for what we grow on the farm.

In response to your bill, Mr. Emerson's bill we feel is one of the best bills in the hopper for the grain elevator bankruptcies. We appreciate anybody who supports it.

Mr. GRAY. I would like to ask a question.

You mentioned this present proposed bill will save $2 billion. I would like to ask what it will cost or what the last one cost? Because $2 billion really does not tell me how much it is going to cost.

Mr. COLEMAN. I do not understand the question. I mentioned the food stamp bill saving $1 billion.

Mr. GRAY. I am referring this question to the chairman. Sorry.

The CHAIRMAN. I am sorry, I did not understand your question either.

Mr. GRAY. This farm bill will be $2 billion less than the previous one?

The CHAIRMAN. No, $90 million. There is an estimated $900 million saving on this legislation as contrasted to the one in place now.

Mr. GRAY. And the one in place now, what is the cost of that one? That is the question.

The CHAIRMAN. We really cannot give an exact figure now, but it should be in the proximity of $10 or $11 billion, as contrasted to the previous one of about $20 billion, in the 4 years we are talking about, the length of the farm bill.

Mr. GRAY. In the proposed land retirement bill that I made, it would be practically nothing.

The CHAIRMAN. We understand that. You made your point well.

Mr. Angel?

Mr. ANGEL. I would like to respond to Congressman Coleman. Certainly on the bankruptcy issue the farmers have all kinds of uncertainties with the weather, they have uncertainties with Government programs such as imposed embargoes, so we must do everything we can to take uncertainties out of the money that farmers need when they go to sell their crops and any help that you can give us in helping farmers fight the bankruptcies, I know our farm members need every help they can get.

Also, we support your efforts to get this revolving fund under way. We think it would help to increase our exports. We have had a drop this year. We are about $10 million under trend. So we do need help to increase our exports, and help to overcome some of the incentives that our competitors get to clean out their bins every year.

The CHAIRMAN. The time has expired.

Mr. Albosta?

Mr. ALBOSTA. Thank you, Mr. Chairman.

I want to express my appreciation to the panel here. I think your testimony this morning was excellent. It gives us a broader viewpoint across the country how different groups feel pertaining to the legislation that we have before us.

Mr. Meek, do you believe that there has to be a shortage in farm commodities to raise the price? I mean, we were talking about taking that bushel out of 1,000 in order to get the prices to reflect that there is a need there. Do you think that we really have to have shortages here before we can do it?

If you do, my question would have to follow: Is there something wrong with our pricing mechanism in this country?

Mr. MEEK. Sure. It is not working, Congressman Albosta. We have something that is known as the board of trade and them rascals can drive our prices up 50 cents a bushel and down 50 cents a bushel at their whims when there is not one more or one less bushel in creation. That is wrong.

They trade 11 and 12 times the amount of paper that we actually produce and we have a false fairy tale market. And it is not working. The only way to make it work is to raise the floor up, which would be set by the loan rate.

I would like to point out that through history the higher the loan rate, the lower the cost is to the Government. And if you do not believe that that is true, look at what we are going to have in expenditures with CCC loans this year as compared to the years between 1942 and 1952.

Mr. ALBOSTA. I agree with your assessment also that farmers generally do not like to accept payments from the government for either setting aside land or for target prices through the deficiency payments or whatever.

We would be much better off in my opinion also with the higher loan rate. But then the question has to come, if the Government takes over any of these commodities, would any of you or all of you on this panel accept some provision in this legislation that would

tell the Secretary of Agriculture that he had to sell any commodities that he took over for the production of fuel alcohol in this country in 90 days after the papers were all cleared; after it was taken over, that he would have 90 days to sell that on the market through bids to alcohol-producing fuel plants in the country? Would you accept that kind of provision in this legislation, do you think it would work?

Mr. MEEK. I think that would be one way of getting rid of a lot of production, a mandatory set-aside would be another. I think farmers are ready and willing to accept mandatory controls if the price is significant enough above where we are right now. There are a lot of desperate farmers out there. If the Secretary is insisting on creating a free market, let's get the protection up there for a couple of years to see if he can create a free market and increase exports significantly enough to increase the price.

Mr. ALBOSTA. Can I phrase the question a little bit differently to you then?

I think all of you would agree, as you represent different groups of farmers or farmer viewpoints, that farmers generally do not like to even set aside acres of land. If we could find a system where we would not have to set aside any great amount of acres of land, rather we would have a system that would state we are going to use agricultural commodities during times that we have more than the need for human consumption and animal consumption or the world markets, that we are going to use it for some other consumers' needs, doesn't that make sense?

We can produce until God only knows, we can build mountains of this stuff. Why not find another use for it? We know we are competitive in alcohol fuel competition with gasoline for automobile use. That is proven right now, because we are using it and we are using more of it every day even though the prices of this fuel have been coming down. It is going back up again. It is going to make us even more competitive, having alcohol fuel added to gasoline to make gasohol.

Doesn't it make sense to you then to find some way of making sure that we do not have a Department of Agriculture or a Government that is dumping this into the marketplace to depress prices, they would have to use it for some other consumers' need? That would be my question.

Mr. GRAY. I would like to reply to your part about the farmers not wanting to set aside acres.

In a meeting in Kentucky recently, farmers from 3 States, 500, were at the meeting. After this proposal was explained to them they asked for private secret ballot, and 81 percent were in favor of this mandatory set-aside acreage, 7 percent were opposed, and 12 percent were undecided.

Now the reason it is generally believed that the farmers do not like to set aside is because it has not been mandatory, if it affects me and not my neighbor, but if they are all together I believe you will find almost 100 percent in favor of set-aside because they know that the prices will be higher after the reduction in production.

Mr. ALBOSTA. My time has expired.

I do not have half of my questions answered. I guess I will have to wait.

The CHAIRMAN. The gentleman will remain until the end; if so, we will allow him at that time.

Mr. Bedell, do you have any questions?

Mr. BEDELL. Mr. Chairman, since I have been gone, I yield back my time.

The CHAIRMAN. Thank you very much.

Mr. Volkmer?

Mr. VOLKMER. I would just like to ask the panel if they have any suggestions as to what changes the Secretary could be making at this time, under the present law, to effect increased cash prices, especially in the area of wheat and feed grains?

Mr. MEEK. Would you repeat that?

Mr. VOLKMER. In your opinion, what could the Secretary do under present law to increase cash prices as far as feed grains and wheat are concerned?

Mr. MEEK. Raise the loan rate and the mandatory set-aside.

Mr. VOLKMER. Mandatory for 1982?

Mr. MEEK. Sure. If the price is there, I will go plow mine up.

Mr. VOLKMER. All right. Mr. Angel, how much would you save on the loan rate increase on feed grain?

Mr. MEEK. I think the first minimum step that should be taken is to try to get the loan rate up to the cost of production.

Mr. VOLKMER. Mr. Angel?

Mr. ANGEL. I certainly agree that the Secretary could and should raise the loan rates and if these are raised to ample levels, then farmers will voluntarily comply with the program. We think the program can work if the Secretary will use the authority the Congress has given him.

Mr. VOLKMER. Mr. Gray, do you have any comment?

Mr. Wofford, what about cotton, what do you feel could be done under present law, and the present program?

Mr. WOFFORD. I think probably the biggest help would be to fund the revolving credit program for export use. We do not feel at this late date, in our area at least, we can afford to go back in there and plow up any additional cotton. Cotton is blooming now. We have roughly 40 cents a pound already invested in it and, as I said, our final certification date was a week ago yesterday, May 17. I cannot see how it would even be possible to go back in and reopen the program at this late date in our area of the country.

Mr. VOLKMER. And I understand you also see problems with having a referendum in July to affect cotton plantings for next year.

Mr. WOFFORD. We have no objection to the referendum. We do object, we think it should be a commodity referendum.

Mr. VOLKMER. Rather than overall acreage reduction referendum?

Mr. WOFFORD. We want an overall acreage reduction, but each commodity should be able to vote to determine their own future.

Mr. VOLKMER. Is there anyone on the panel who does not support a mandatory set-aside?

As I understand, everybody does.

Mr. Angel, do you support a mandatory acreage reduction program?

Mr. ANGEL. Our farmers feel that there is going to be a time when farmers are going to have a mandatory program. As the last gentleman said, we think farmers, by commodities, should determine the price level they need to stay in business and then comply with a program with a large enough set-aside to assure those prices and the markets.

At this point, to say a mandatory set-aside on this year's program, we would much prefer to see the loans up high enough that farmers will voluntarily comply. I think they will do this if they see the price is there.

Mr. VOLKMER. Do you see also if that would happen, that in order for some to go into a reserve program we would have to have additional funds in on-farm storage than we presently have.

Mr. ANGEL. Yes. We have to have more on-farm storage. Back in the winter the administration was saying they did not need the program because of the Economic Recovery Act, that there were lenders who were willing to make money available through the leasing program, but now that program is in jeopardy. The financial institutions are not willing to make loans on bins with the investment tax credit program. So this leaves farmers high and dry.

The administration program is not available and neither is the Economic Recovery Tax Act program working. So we do need that program mandated so that farmers can have access to the loans.

Mr. VOLKMER. Where you raise feed grain for the sole purposes of feeding it to livestock, do you feel those farmers would participate in any way in any reduction program without it being mandatory?

Mr. ANGEL. I think farmers realize more and more they are going to have to start sticking together, whether they are a livestock producer or whether a grain producer, and by working together, by cutting back on the crops. We have many livestock producers that we communicate with and they certainly indicate that higher grain prices are a necessity. I think they would comply as well as the others.

Mr. VOLKMER. Do you agree with that, Marvin?

Mr. MEEK. You bet. I think most of the livestock producers in our organization realize cheap grain always precipitates cheap cattle. The same things for hogs.

Mr. VOLKMER. Eventually hogs too?

Mr. MEEK. Yes.

Mr. VOLKMER. Thank you, Mr. Chairman.

I yield back the balance of my time.

The CHAIRMAN. I thank the gentleman.

Mr. Marlenee?

Mr. MARLENEE. Thank you, Mr. Chairman.

In listening to the discussion here, it seems to me that the panel supports a higher loan rate level and mandatory set-aside. We connect this with a referendum process.

Suppose we don't get that higher loan rate? Are we talking about bringing people into the program who don't want to be in the program by a mandatory across-the-board set-aside and a referendum that includes everybody?

I guess my question to you is how would you structure this referendum? Are you going to vote crop-specific? Are you going to in-

clude everybody? Who is an eligible farmer? We have 2.4 million farmers in this country, some of them with garden patches, some with extensive acreages.

Marvin?

Mr. MEEK. I think the point has been made this morning that is on the referendum and it should be by commodities and it should be structured to where a man has reasonably got a chance to make a living off his production.

The full-time farmers are the ones who are in jeopardy. The fellows who have a $40,000-a-year job and 10-acre patch, OK, we want to benefit them, too, but I think the decisionmaking should be for the full-time producers because they are the ones who produce about 65 percent of our U.S. production.

Mr. MARLENEE. So you want the referendum on a crop-specific basis?

Mr. MEEK. Right.

Mr. MARLENEE. Then you have to have a lower limit or some definition on what a bona fide producer is?

Mr. MEEK. I think that would help, and I also feel like the top 20 percent or the top 40 percent or some top percentage of the overall producers would be a good way to see what will and won't work.

Mr. MARLENEE. Then you set a loan rate that is high enough to return close to a cost of production figure; you establish a bona fide producer and you make a referendum crop-specific and perhaps you go back to some kind of an established history on what has been a farmer's seeded acres.

Does anybody else have any comment on that proposal?

Mr. ANGEL. I think one thing we might add—and I think this is what the gentleman is implying—is that we not necessarily look at the numbers of farmers, but instead of saying 55 percent of the farmers, pick out some percentage of the production.

Whatever number of producers it takes for that, whether it is 20 or 40 percent or whatever, but look at production rather than farmer numbers.

Mr. MEEK. David pointed out to me, Mr. Marlenee, that it should be established per operator instead of per farm because there are a whole lot of farmers that farm more than one farm, so it should be on per operator.

Mr. MARLENEE. Yes; that is what I was referring to.

Mr. Wofford, do you have any comment on that?

Mr. WOFFORD. Yes, sir. I wish to disagree with the assumption that all of us up here are in favor of increased loan rates. We do not believe that increasing the loan rates substantially would be beneficial at all.

We believe, as I stated in the statement, that the loan should be used as a marketing tool and not as a market under any circumstances. We feel that the referendum should be on commodity bases because right now in cotton, for instance, if you took a vote of all the farmers of the United States, about 3 percent of them are cotton producers, and we don't think that one area of the country, such as the Midwest, should be able to dictate the needs of the Rio Grande Valley in Texas or the rice-producing area of Arkansas, Louisiana, for instance. We think they should be able to look at their own particular problems.

Mr. MARLENEE. Let's examine the problem of loan rates, increased loan rates in handling commodity programs and assuring farmer income versus set-asides; paid set-asides, paid diversions.

What would happen if I pose this question to you as a panel? What would happen with our paid diversion and paid set-aside when we did that? What would happen to the Canadian production, the Argentine production, the Australian production? How are we going to assure that they just don't move in and take our markets at that point?

In other words, we are reducing 15 percent of our wheat acres, for instance, and what is to stop Canada, Australia, New Zealand, all the foreign countries, from increasing theirs just a minute amount because our 15 percent reduction is only a small part of the total world acreage in production of wheat?

Mr. MEEK. I would like to point out, Mr. Marlenee, that, the United States controls and produces approximately 65 to 75 percent of the total world's exportable grain. Most grain that is produced in Canada, Argentina, and Brazil, and a lot of other countries, are consumed within their local area, more so than what our production is.

We should be able to control the markets and control everything because we are a massive producer.

Mr. MARLENEE. I agree that we have tried to make that work. If we raised our loan rates, Canada has stated they would follow suit in raising their domestic prices or export prices, also. It is an international agreement. I think Canada, Australia, and the United States could in fact control the price on the world market of wheat.

The CHAIRMAN. The time of the gentleman has expired.

Mr. Stenholm?

Mr. STENHOLM. Thank you, Mr. Chairman.

I am personally glad to see the support indicated for the referendum for purposes of determining supply management beginning to build in the United States. This support has not been there in the immediate past, and I am glad to see it now because it does offer the only real hope I can see for improving farm prices, which is by adopting a meaningful supply management program.

My question to you is this: Can any of you think of any reason why any farm organization should oppose a referendum to allow farmers to decide for themselves whether or not they would wish to participate in a referendum for purposes of reducing supply in order to increase prices?

Mr. WOFFORD. If it were by commodities, no.

Mr. STENHOLM. If it were crop specific?

Mr. WOFFORD. Right.

Mr. STENHOLM. I would like to have your ideas and observations of how we can make it crop specific.

Mr. WOFFORD. I can take cotton. Should the majority of the cotton farmers in the United States vote in favor in referendum of a reduction in acreage? I think the penalties involved in this act that we are discussing now are sufficient to make it almost mandatory.

The problem as we see it, as we discussed earlier, is the limitation people. This eliminates them. We come out with a 15-percent reduction in cotton and end up with about 3 or 4 percent, if that

much, because of the number of cotton farmers that are in excess of the limitation and with the expected deficiency payment they say I can't afford to go in. Do away with the payments, is what they are saying, basically.

If you get the reduction in acreage up high enough and theoretically it works as it should, then we shouldn't worry about limitation because there won't be any. Then everyone will participate.

This is what has been wrong in the past, we feel, with set-aside or reductions or other programs.

Mr. STENHOLM. Mr. Gray?

Mr. GRAY. As I stated before, I don't think it is necessary to divide different commodities, grains, cotton, et cetera. If you make it a straight out, across-the-board 15-percent reduction in acreage, it will balance itself and the farmer will have the freedom he wants. He won't have to decide whether he can split this field, put so much in corn, cotton, whatever. He can make his own decision and really, that is what the farmer wants.

Mr. STENHOLM. Mr. Meek?

Mr. MEEK. Your original question of any organization, I know of two that will oppose the referendum. I will give you my understanding of why they will.

They do not represent the production as much as they do the industry, and the National Cotton Council is one of them. They have several segments of their total organization, and the producer segment is just one small portion of that.

They represent the cotton shippers, the cotton buyers; they are representing ginners, warehousemen, and, of course, volume is definitely in their favor.

I checked with the Farm Bureau yesterday, and they are going to oppose the referendum and that, too, goes back to my assumption of the fact that they are not representing the producers as much as they are the industry. The total industry, that is.

Mr. STENHOLM. Mr. Angel?

Mr. ANGEL. Congressman, our members would support a referendum. However, they have got to have a voice in the price that we are talking about. I certainly would not go on record as favoring a mandatory program if farmers are still going to be losing money. I don't think our members would, but if they can have a voice in saying here is the kind of price we need, then they are going to be right there with you, supporting a referendum and willing to cut back the necessary amount to assure that price in the marketplace. I would support that this needs to be done by commodity.

Mr. STENHOLM. One last question for a response. I guess two points. I still don't think we have gotten it over to the media that this bail-out bill, as some are calling it, for agriculture saves money, does not cost money.

Somehow I believe we are still missing the point, that this bill costs less to the taxpayer over the 3 years of the bill than what we now have.

Another question: I continue to ask myself how, is it advantageous to any American, any American, for us to continue to follow an agricultural policy in this country that allows us to subsidize the Soviet Union by selling them our grain under our agricultural policy below what it cost the American farmer to produce it at the

same time we find the tremendous need of military buildup to meet the Soviet threat in other areas?

Can anyone think of a reason why this farm bill of 1981 is so great when it does that? Mr. Gray?

Mr. GRAY. I agree with you completely. I think that nobody can sell to the Soviet Union or whoever, less than 80 percent parity. This would act as a ceiling to farm prices, as well as a floor to the export trade.

Mr. STENHOLM. Thank you, Mr. Chairman.

The CHAIRMAN. The time of the gentleman is expired.

Mr. Weaver?

Mr. WEAVER. Thank you, Mr. Chairman.

I appreciate the comments of my distinguished colleague from Texas on the Soviet Union.

I met Friday with 200 steelworkers in my district who have just been permanently laid off. The Hanna Nickel Mine and Smelter closed down. These people are without jobs. There are no jobs whatsoever in that area.

I opened the meeting, and the very first question they asked me—here these people are just thrown out of work—the first question is, Why are we selling the Soviet Union our grain so cheaply?

The American people are ready to stop this if we can just get some of these big corporations that Marvin Meek said control the farmers, and don't represent the farmers, to break the logjam and get resolutions of law through that would raise the price.

Marvin Meek elucidated on something which is very poorly understood; that is, if you have 1,000 bushels of wheat and 999 bushels demand, the whole 1,000 bushels is in surplus. The price will fall even though you just have 1 bushel in surplus. It will knock the price in half.

That is what the problem is with our agriculture today. We have a few bushels in surplus and the price is one-half of the fair market value. You can control supply. You can affect supply three ways: You can bankrupt the producers of any commodity, and that is what is going on today; you can have Government controls, as was suggested that we have mandatory Government controls; or you can have reserves some way or another and take it out of the market system.

The present policy is the height of madness; that is, we grow more, the price continues to drop, and we continue to bankrupt farmers and subsidize the Soviet Union and other countries.

The idea of simply creating a revolving fund credit compounds the madness. It is not a subsidy to the farmer, it is a further subsidy to the Soviet Union and Japan and others buying cheaper and cheaper grain with heavier and heavier taxpayer funding.

It is all crazy. I completely support any provision that would bring supply into balance with demand, but my goal on this committee has been and always will be until it is enacted into law, a provision that would set minimum prices for our grain sales overseas so at least our foreign customers pay the farmer a decent price.

That just makes simple sense. I wonder, Marvin, if you would say what you think of that idea?

Mr. MEEK. We never have disagreed with your bushels for barrels motion. We are for anything that will help the price to the producer. We realize everything that you have just talked about is true, and we are just ready for some action.

Action has to come out of this committee primarily, and I don't believe we have ever come out of anything with this committee since I was up here that was unanimous. But I think it is time that the committee get together and support and push something.

All of you know some of these people in other parts of the country that are urban representatives. With the unemployment as high as it is, it looks to me like all you have to explain is that we consume, the farmers and agriculture, 40 percent of the total manufactured goods produced in the United States. If you can't sell that, you are not much of a salesman.

I think it has got to be sold to the rest of Congress, and it has got to come out of this committee.

Mr. WEAVER. Congress isn't where you have to sell it, Marvin. The rest of the Congress is ready to go along with that. I had 110 cosponsors to my first barrel-for-bushel bill, but not a member from this committee. They were all from Philadelphia, Chicago, and New York.

They are ready to go. The steelworkers are ready to go. All the labor organizations are ready to go. It is this committee that has the problem. If we could get the farm leaders on this committee to back that provision, we could get $5 to $10 to $15 billion a year more for our grain from Japan, the Soviet Union, all the wealthiest countries of the world.

The problem is here. The Congress is ready to vote for this bill. Any time they say it makes sense for the agricultural sector, they are ready to vote for it. Any time. Mr. Gray, do you have a comment on that?

All my bill does is simply set minimum prices for our grain sales overseas to do away with this fact that we subsidize the Soviet Union and others with cheap grain and oversupply.

Mr. GRAY. I certainly agree with you.

Mr. WEAVER. Mr. Wofford?

Mr. WOFFORD. I have no objection to anything that would increase the cost of our grain to foreign trade.

Mr. WEAVER. Excellent.

Mr. Angel?

Mr. ANGEL. Our feeling is that if the supply were down and the market price would be there?

Mr. WEAVER. I absolutely agree with you, but one way we can do it immediately—what you are saying is we have 1,000 bushels of wheat for sale to the Soviets and other foreign cutomers, and we are only going to get $1 for it; that if we had just 900 bushels for sale, we would get $2 for it.

So that is one way. I agree with you. But right now we have that 1,000 bushels of wheat so if we say we are going to ask $2 a bushel, we will only sell them 900, but we will get $1,800 instead of $1,000.

That is my point. Do you follow me?

Mr. ANGEL. Yes, I understand your bill, and I still feel that if we could just get the price up on all the wheat—farmers shouldn't produce at a loss for domestics.

Mr. WEAVER. I agree, but at least let's charge the Soviet Union the cost of production.

I will be offering, Mr. Chairman, my grain export bank bill as an amendment to this bill.

The CHAIRMAN. The time of the gentleman has expired.

Mr. Stangeland?

Mr. STANGELAND. Thank you, Mr. Chairman.

I, too, want to thank the panel for their testimony and support of the legislation that is before us. I support it. I think it is time that we take some steps to shore up a very ailing agricultural economy, and I think we are all aware of the tremendous ripple effect that agriculture has on our total economy.

I think it is no coincidence that the national economic problems are here because they come on the heels of one of the longest, steadily deteriorating trends in U.S. farm history that has occurred over the past 3 years.

I would ask Mr. Gray and the gentlemen of this committee to look at H.R. 6466. This is a bill, Mr. Gray, that is patterned after the suggestion of your people down there in Kentucky and Indiana. It was in the drafting stages at the time the present bill was introduced.

I am a coauthor of both. It is a set-aside referendum bill. My concern, gentlemen, and the concern I would express to the committee is that I am questioning whether we can move as fast with this legislation or with other legislation at this time to really have an effect on this year's crop.

I think this year's crop is critical and this year's prices are critical. I would just point out to the members of this panel and the coming panels that I have urged the Secretary to take three steps that I think would do more to help the present situation in agriculture than anything else we can do, and it could be done immediately.

We have about 80 percent of the cropland signed up in the set-aside, and the key now is going to be certification. The problem that you gentlemen have cited, and the reason people are looking to a mandatory set-aside, is due to the fact that farmers are concerned that if enough of them participate in this year's set-aside with no great benefit to them except to participate in a program that is inadequate, their neighbors who don't participate will be the profiteers in the program if the land that has been set aside helps drive up commodity prices.

That is why they want a mandatory set-aside. So, you have to, by incentive and rather than disincentive encourage farmers to participate.

My proposal is that we forgive half of the first year's interest on the 1982 crop going into the reserve. That we raise the storage rate from 26.5 to 36 cents per bushel—I think it is criminal that USDA does not pay farmers the same rate for storage that they pay commercial storage facilities.

The third point is to raise the price support level 15 cents a bushel on both reserve and Commodity Credit loans for those crops that go into that storage.

With those kinds of incentives, I think we would get a massive certification rate and farmers would participate in the program. If

we get massive certification, I am convinced we can reduce that supply enough to push the market up. If we do that, those farmers that participate will be rewarded and agriculture as a whole will be rewarded.

You know, I think we all ought to point out and be aware—and I am sure this panel and the subsequent panels are aware—that it is really sad when we have a world short of food, that we talk about curtailing the greatest productive machine in the world: American agriculture.

Yet, it is more criminal that we expect the American farmer to provide food for the hungry of the world and provide a constant supply of high quality food for this country at a cheap price are unwilling to adequately compensate him.

Until this Government, this Congress, and our American people are willing to reward the farmer for making sure that the hungry of the world have food, then I think we have to take steps to assure that we don't see massive bankruptcy in agriculture, and a massive exodus of family farmers from the farm.

I have no questions, but I applaud your efforts, and those of the panels that will come after you. I ask you to take a look at H.R. 6466. That bill is drawn for an across-the-board reduction in acreage and is not crop-specific.

The thoughts of this Member of Congress are not cast in concrete, and if the producers of this country prefer a crop-specific set-aside referendum, certainly that bill can be amended to be crop-specific.

I think there are some very legitimate reasons to have the legislation crop-specific. I think there are also some legitimate reasons for having it apply across the board. But it will have to be up to the witnesses here today, the agricultural community and the members of this committee to determine which way to go.

With that, Mr. Chairman, I yield back the balance of my time.

[The prepared statement of Mr. Stangeland follows.]

PREPARED STATEMENT OF HON. ARLAN STANGELAND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. Chairman. As a cosponsor of the Farm Crisis Act, I just want to briefly state that I think this bill offers a responsible means of assisting our severely depressed agricultural sector at a time when it needs it the most.

I have always believed that a strong farm economy is an essential ingredient for a healthy national economy. I know all of us here today are well aware of the tremendous "ripple" effect that a dollar earned on the farm has on the rest of the economy. In my opinion, it is no coincidence that today's national economic problems are coming on the heels of one of the longest, steadily deteriorating trends in U.S. farm history—occurring over the past three years.

However, the situation on our Nation's farms and in our rural communities has now reached a critical stage. I truly fear that if we do not take immediate action to provide direct assistance for our embattled farmers, we could see a financial disaster in agriculture that would cause economic chaos in our rural areas and, ultimately, our cities as well. A third straight year of declining net farm income could result in a "washout" of family farmers across the country and we cannot allow that to happen.

As I said before, this bill is a responsible bill. The Congressional Budget Office estimates it would save the Government $899 million over four years. Yet it offers immediate and direct assistance for that individual farmer who otherwise may not be able to make it through another bad year.

The Farm Crisis Act also contains a provision to allow those farmers with crops currently not covered by quotas or marketing orders to vote on whether to adopt a

mandatory 15 percent cropland set-aside. This provision is nearly identical to a bill I have introduced, H.R. 6466, that would likewise allow a producer referendum on an across-the-board cropland set-aside. I am especially looking forward to hearing the testimony of Mr. Martin Hoffman, whom I have visited with in the past on this issue, and I am finding that more and more producers in my district are indicating they would strongly support a mandatory set-aside to hike up commodity prices.

I know many were surprised by the high percentage of acreage enrolled in this year's voluntary reduced acreage program during the initial signup period. However, it remains to be seen how much of the acreage enrolled in the initial signup period will still be in the program after the certification deadlines.

We must have an effective production control program in place that properly rewards the producer who cuts back on his production. I think the Farm Crisis Act offers the kind of protection and market strengthening provisions our farmers need and I am looking forward to hearing the comments of those testifying today on the merits of this important legislation.

The CHAIRMAN. The time of the gentleman has expired.

I would appreciate it if the members who have questions would direct the questions at the witnesses to expedite the process.

We have passed up Mr. Fithian. Do you wish to reclaim your time at this time?

Mr. FITHIAN. No.

The CHAIRMAN. Mr. English?

Mr. ENGLISH. Thank you very much, Mr. Chairman.

There are two observations that were made, one by Mr. Meek, which he quotes in his written testimony, the very last sentence, saying that all the farmer needs is a fair price in the marketplace, which I think is certainly true. It is very obvious, but it is very true.

The second was an observation made by Mr. Angel in which he was quoting the Congressional Budget Office, and that as far as the taxpayers are concerned, that it is cheaper to avoid the production of surplus instead of going out and producing it.

As far as all of the panel is concerned, do you all agree that the present farm legislation that was passed in December and of course drawn up by the administration is a failure as far as these two goals are concerned? Is there anyone who feels that the present farm bill is meeting those objectives? No.

So what we have now is a farm bill that in effect is not providing the farmer with an opportunity to make a profit in the marketplace and, at the same time, has the potential of costing the taxpayers billions of dollars.

Is there any disagreement with that? No.

The overall objective, as I understand it, being a part of this farm crisis legislation that was presented, is to meet those two goals. It is to move agriculture in that direction and move the Federal Treasury to a point of less exposure.

The point was made by one of the members here today that this farm bill would cost less than the present farm bill in existence. I think that is a very good point.

The other part is that it would strengthen prices in the marketplace for our farmers, and again I think that that is the other point, the objectives as outlined by Mr. Angel in his testimony and Mr. Meek, also, in his testimony.

The administration, however, is opposed to this bill. We are now marking up a budget that will contain a deficit—at least all the proposals before the Congress at the present time contain a deficit

somewhere in the neighborhood of $100 billion. We have an administration that says it is opposed to these huge deficits and is trying to make cuts and reductions.

But at the same time we have a bill here that would reduce the Federal budget $1 billion; therefore, reducing the deficit by nearly $1 billion. But the administration is opposed to it.

Can any of you gentlemen explain to me why this administration is opposing this piece of legislation which puts more control back in the hands of the farmers and reduces the Federal deficit?

Mr. GRAY. I hate to repeat myself so many times.

Mr. ENGLISH. Go right ahead.

Mr. GRAY. But it is not enough saving and the farmer is still under the control of the Government. I think both of those points is what the administration wants.

Mr. ENGLISH. You are trying to tell me that the administration feels this legislation does not go far enough?

Mr. GRAY. Will you repeat that?

Mr. ENGLISH. Are you telling me then in your view, Mr. Gray, the administration is opposing this bill because it does not go far enough?

Mr. GRAY. Because it is still too costly and still has control over the farmers.

Mr. ENGLISH. Mr. Gray, we passed the administration's bill last December. This was the Department's bill, which was more costly and had left more control in the hands of the Federal Government.

I would like to point out that one part of this package that is being presented by the farm crisis group was an amendment that I offered. We had a letter from the Secretary of Agriculture, who said that he strongly opposed that particular amendment which passed the House of Representatives because of the fact that it took the control out of the hands of the Secretary of Agriculture. It took the discretion away from the Secretary. That was his reason for opposing that amendment.

Mr. Meek, would you like to make a comment?

Mr. MEEK. I think I can explain it.

Perhaps you weren't here when I read a news clipping from Minnesota. He asks the Secretary how the farmers could get help, and Secretary Block replied that there will be no help for the next 2 years, things will have to get worse before they get better.

I think that the Secretary has made a very astute observation here that things are going to get worse if they stick to their guns on this farm bill that they have. Also Secretary Block replied we are paying for the bumper crops of the last 2 years and the best thing that could happen in the farm sector would be some sort of worldwide disaster, a disaster of some kind that would bring farm prices up, otherwise the farm sector will just have to be shaken out. So, they are just intent on allowing the farm sector to be shaken out.

Mr. ENGLISH. I think you are very right, Mr. Meek. I would just like to observe that instead of creating a free market, as some have advocated, that this administration, instead, is interested in creating a market free from paying for the control that they want to retain; namely, the control over the amount of production and the control of prices.

Thank you, Mr. Chairman.

The CHAIRMAN. The time of the gentleman has expired.

Mr. Glickman.

Mr. GLICKMAN. Yes, Mr. Chairman, thank you.

Recently I participated in an Agriculture Council of America call-in. One farmer called and he said, "I got four problems, Congressman." I said, "What are they?" He says, "Interest rates, interest rates, interest rates, and price."

I am not sure what we can do about interest rates in this committee right now. Perhaps there is not much Congress can do about interest rates generally but hopefully the budget will set some priorities to reduce those. But we can do something about price. That is what we are trying to do here.

I agree with Mr. English, I do not think the farm bill is working in any way whatsoever to alleviate the price problem, because every one of those farmers who called me up said the surpluses are going to be so gigantic that not only will the price problem continue as bleak as it is, it is going to get worse, not better. There is no way, even if the Russians are having problems in their agriculture as Mr. Meek said, it may not make a difference in price.

I was one of the authors of the export credit revolving fund. I would like to see it funded but I know that will not work magic on price. That is why I think that this program, represents at least some responsible start to get moving to get prices up.

I do not see anything else that will do it, nothing else. So I would like to ask you the following questions that you said before, but to get clarification for the record.

Do you support or oppose the referendum provision in this bill?

Mr. MEEK. Support.

Mr. ANGEL. Yes, we would support that.

Mr. GRAY. Yes, sir, I support.

Mr. WOFFORD. We would support a referendum, but we would like some changes in it.

Mr. GLICKMAN. From your perspective back at home, how do you think farmers will vote on such a referendum; do you have any feeling on that?

Mr. MEEK. I would like to address that, Mr. Glickman.

I think as long as the farmer does not have a choice of shooting himself or stabbing himself, you can get a favorable response for mandatory control. The last referendum that came out of Congress, that is what the farmers had, they had a choice of shooting themselves and dying or stabbing themselves and dying a slow death. A lot of them decided to establish instead of shooting themself, which is what all of us would do.

But I think if you come with a clear-cut referendum of a substantial increase in the loan rate in return for mandatory controls, you will get 85 percent in favor of mandatory controls as an alternative to this farm bill, and this program that is implemented under this administration.

Mr. GLICKMAN. Mr. Gray, do you have a comment on that?

Mr. GRAY. I think you mentioned the Farm Bureau opposition to any kind of control.

Mr. GLICKMAN. I did not, but that may be the case.

Mr. GRAY. I think it is not the membership but the leaders, and I want to qualify my agreeing completely with this bill. I agree with the mandatory part, the referendum; I do think to help this bill—this will take a year and a half to see much effects—if you incorporate with that that the Government buy out this surplus or make it a reserve, this would give a shot immediately, prices would go up almost immediately.

Mr. GLICKMAN. Yes. But I guess that the beauty of this bill, at least the concepts related to it, is that we can do this without creating much additional budget exposure. I am looking at the budget sheets. In all the targets for this year, the lowest deficit figure in any of these figures considered to be responsible for this year is roughly $100 billion.

So we are trying to get together a package that will get that price up without taking care of the budget side of the picture. I think the concepts of this bill can take care of that.

What worries me is if we move on to other things, for example, even issues like increasing storage dramatically will be budget exposure and that worries me.

Yes, Mr. Meek?

Mr. MEEK. Are you aware of the fact that corporations are able to utilize the CCC loan rate, the CCC plan? I think that is a real injustice to allow companies like Gold Kist, Cargill, and all of them where there is low storage, on farm storage and the necessity of getting a pay-later contract—you know what I am talking about there—the farmer can put his commodity in there on a pay-later contract and then the company that they put it into CG and get a CCC loan and get like on beans, $5.02 now on soybeans and put that into their kitty and not pay the farmer a nickel plus charge him storage.

I think that is an injustice and I think this is what is leading to the extreme cost on the CCC loan.

Mr. GLICKMAN. Sure.

Mr. MEEK. Because other people than farmers are using the CCC loan and again I will point out that the CCC loan at the higher level sets the market price at a higher level and the farmer sells more often than he stores.

But when your prices are down low and your loan rate is low, the only alternative that the farmer has is to put his commodities into the loan and that is why you have the amount of exposure on the CCC this year as opposed to what you did in years previous when you had a higher loan rate.

Mr. GLICKMAN. Thank you very much.

The CHAIRMAN. The time of the gentleman has expired.

Mr. Jones.

Mr. JONES of Tennessee. Thank you, Mr. Chairman.

I think most anything I might say has already been said, and I know time is important here. I do want to thank the panel for having done a very, very good job here today and I think I clearly understand where we are as far as the bill that we are proposing is concerned.

I have a question of Marvin Meek, you did not touch on and I read the testimony although I came a little late. You did not mention farm facility storage on the farm, and of course the adminis-

tration continues to say that there is adequate farm storage out there.

I continue to disagree with what they say. I would just like to know what your opinion is and any other opinion of the panelists here today, as far as phasing out the farm facility storage?

Mr. MEEK. Probably in the United States, it is probably 20 to 25 percent of the total land area that does not have adequate onfarm storage.

I think due to the amount of bankruptcies occurring with commercial storage facilities, the necessity of having onfarm storage for the farmers would certainly give them more protection if they chose to build onfarm storage rather than put it into a facility that might go bankrupt and then have to go through a painful and agonizing bankruptcy which Mr. Cryts is having to go through down there in Missouri because of an elevator going bankrupt. He is losing his commodities.

Mr. JONES of Tennessee. Do you agree or any other panel members agree with what Mr. Stangeland said as to the storage rate, they should be on the farm compared to the commercial rate facilities in town somewhere?

Mr. GRAY. I do.

Mr. JONES of Tennessee. You think the farmer ought to have as much on the farm if he owns his own facility as if he has to pay for it in town? Mr. Angel.

Mr. ANGEL. Yes, sir, Congressman, we feel that they should get commercial rates whether it is on the farm or stored in a commercial facility. I would like to comment on your earlier question, we held resolution questions all over the State and nearly every one of our grainers, and they want more, more grain facilities, and they want the old loan program reestablished.

Mr. JONES of Tennessee. Mr. Gray?

Mr. GRAY. I agree that most of it should be on the farm.

Mr. WOFFORD. Yes, sir, we are desperately in need of farm storage facilities. In our area we have a great deal of last year's crop still in storage down there, particularly milo, and this is one of the areas that we certainly do endorse the provision of this new bill.

We feel that at the present time, even though the money is not available, if it were, the interest rate is so close to the bank rates that the majority of our producers say if that is the best I can do on interest on onfarm storage facility loans, I prefer just to go to the bank.

Mr. JONES of Tennessee. That is what a lot of them have had to do or have done.

Mr. WOFFORD. Yes, sir.

Mr. JONES of Tennessee. I have another subject that I would like to just touch on briefly because I know we are running out of time.

We are told by USDA and constantly told, and it happens to be my subcommittee that hears it, that in general the situation out there is pretty good as far as farm credit is concerned. I would be glad to hear from any or all of you as to what your opinions are about the availability of farm credit, whether or not those 500,000 farmers, Marvin, that we may lose this year are being deprived of farm credit or not or why they are going out of business, or just what your situation is with the members that all of you represent?

Mr. MEEK. We definitely have a problem with farm credit and anybody in the Department who denies that is either lying or not informed.

I think that if they will check with the county loan officers in every county in the United States, there are over 2,500 agricultural counties, they can assure you that they are having to decide which ones to finance and which ones to foreclose on. They may have plenty of money for the ones they have chosen to finance, but there are a whole lot of farmers they have chosen not to finance and are refusing to finance, so they have no choice but to go out of business.

Mr. JONES of Tennessee. Mr. Angel?

Mr. ANGEL. I was talking to some of our credit people within MFA a few days ago. We make production loans to some of our members, and I understand that we are dealing with about one bankruptcy a day involving our members who have gotten production loans from us in the past.

So certainly it is a very grave problem, Congressman.

Could I add one other thing? There was a comment made about the cost of the loans on the storage facilities. I think if our proposal on the farm storage loan leasing program could be approved for Farmers Home, I think the loans on 100,000 combine or grain bin could drop from about 18 percent down to about 10 percent if they could use that investment tax program, and this would be one way that interest rates could come down.

Mr. JONES of Tennessee. I see my time is expired, Mr. Chairman.

The CHAIRMAN. The time of the gentleman has expired.

Mr. Albosta has asked for one brief question.

Mr. ALBOSTA. Thank you, Mr. Chairman.

I have a bill in to set up an insurance program for commodities stored or put in any elevator anyplace in the country to protect it up to $100,000, that would require a one-quarter cent a bushel on all grain coming in for 1 year and it would produce $24 million, into a trust fund that would be administered by the Department of Agriculture through every ASCS office.

In the case of Wayne Cryts, for instance and the problems in Missouri, had this been in effect they could have automatically gone into the local ASCS office and collected up to $100,000 for every deposit that was made in that particular elevator.

To me, something like this makes some sense. Let me tell you that we have only seen the tip of the iceberg, in terms of the bankruptcies that may be taken place in the next 2 or 3 years, unless we do something in terms of some sort of change in the agriculture bill.

Would you support that concept?

Mr. MEEK. We would, Congressman Albosta, and in addition there are bankruptcy laws that do need changing, but we would support some FDIC insurance program.

The CHAIRMAN. I agree with you.

Mr. WOFFORD. I can see no objection to it on the surface. I am not familiar with your bill, however.

Mr. ALBOSTA. Mr. Angel?

Mr. ANGEL. Congressman, we certainly agree with that. In the first place, we feel warehouse receipts must be declared as evidence

of ownership but that does not solve the problem when the grain is gone. So an insurance program like yours would certainly be a great help.

Mr. ALBOSTA. It would work similar to the way the insurance program works with the banks. To me, it is the same as money when you put your commodities in there.

The CHAIRMAN. Mr. Stangeland is recognized for one brief question.

Mr. STANGELAND. I want to add to my earlier statement that the program I have suggested to the Secretary would cost us $600 to $700 million. But it is my contention it would save in direct costs through deficiency payments, as much as $2 to $3 billion.

You know, I think that if this bill saves money, we ought to be pushing it regardless of what the administration thinks.

The CHAIRMAN. I thank the gentleman and the witnesses for their conclusions. I assure you they will be most valuable in further deliberations on this legislation.

We invite the other witnesses to the table, the panel from Indiana, who will be introduced by Mr. Fithian and Mr. Pettit from Kentucky. If all five of you gentlemen would come to the witness table at this time, we would appreciate it.

The Chair recognizes the gentleman from Indiana, Mr. Fithian.

Mr. FITHIAN. Thank you, Mr. Chairman.

I want to welcome our guests here today. I want to tell the committee a little bit about this panel.

If there has ever been a grassroots movement in agriculture that I have seen, this is it. About 3 or 4 years ago I met Marty Hoffman and he had this idea which he has almost with missionary zeal been pursuing the last several years.

Along with Mr. Hoffman is Mr. Leader, Mr. Carter, and Mr. Brown. All four of these gentlemen are from my congressional district, and in that area they have been running against the tide.

But I think it is clear that the tide that was running was not doing them nor the rest of our farmers any good. I think it is clear that, perhaps the best testimony that is given by their presence is that all four probably otherwise would be home planting beans this morning, but they really believe in what they are testifying for.

We need not make any long speech about the crisis in agriculture. It is at hand. I think as I spoke to Mr. Glickman on the way out a moment ago, I think that we in the Congress are going to have to do something and very quickly about interest rates or it is not going to make much difference in agriculture.

The combination of Congress doing something seriously about reduction of interest rates and then turning to some kind of mechanism by which we get farm prices up, has to be a combination of the kind that must prevail. Marty Hoffman is presenting this plan today as he presented it many, many times in my district. He has traveled around Indiana, he attracted the interest of the press as was indicated earlier, the prairie farmer and others have taken up this idea.

I would commend to the committee very careful consideration of this concept because what we have been doing has not been working.

I want to welcome all the gentlemen here and Mr. Pettit whom I do not know, we are glad to have a few imports from Kentucky slip across the Ohio River and join us.

The CHAIRMAN. I thank the gentleman from Indiana. If there is no objection, I am going to recognize Mr. Pettit first. I am informed that Mr. Pettit traveled most of the night to be with us and I assure you that that is deeply appreciated. We will be happy to hear from you at this time.

STATEMENT OF GEORGE PETTIT, FARMER, PRINCETON, KY.

Mr. PETTIT. Thank you, Mr. Chairman and members of the committee.

I am George Pettit, a farmer. My brother and I own and operate 2,000 acres in three western Kentucky counties. We are a diversified operation raising corn, soybeans, wheat, potatoes, alfalfa, tobacco, and hogs. We are seventh generation farmers.

Our farming business is faced with a crisis very similar to those farm folks that you have and are communicating with these days. I did not come here today to wail over our problems but to applaud this committee and its various members for recognizing this serious and dangerous dilemma facing the American farmer.

You people and you alone are going to have to face the stark reality that in times of confusion and turbulence people seek leadership. Our many farm organizations recognize there is indeed a crisis but because of the many divergent outlooks and the past record of Government meddling into the daily affairs of the people; distrust, apathy and apprehension distort your influence. This tends to heighten concerns of people that what you have done and what you propose will once again lessen their value. This does not have to be the case.

There was a time when a Congressman could be a statesman. Somewhere, our public concerns and the emergence of special interest exerting tremendous pressure upon you people has denied you that right. I view this Farm Crisis Act of 1982 as an act of statesmanship. It is a bold, innovative step toward offering some intelligent choices to our problems.

The American farmer is faced with two serious problems. The first being that he is too good at his trade. The second is that he is an individual in a climate of systems. By this I mean that he buys from a system and he sells into a system. Both systems are designed in such a manner that unless the farmer quits buying or selling the balance sheet will be in the black. Only the farmer operating as an individual when buying or selling is denied a reasonable opportunity to exert enough influence to manage his cost and the price he receives.

You are offering the American farmer an opportunity to control his own destiny. Your provision for a 15-percent diversion address many problems facing this generation of Americans and those to follow. Because of the economic pressures brought to bear in today's climate, the farmer is bringing pressure to bear upon this Nation's greatest natural resource, her land.

Our commitment to our upbringing and moral senses are having to be compromised in order that we may attempt to meet our obli-

gations. Many acres of valuable land will be lost, some forever, because this generation was faced with a crisis that has not been experienced by past generations. Our machinery and technology will allow us to press past the point of sound soil stewardship.

If exports were the key to profitability then how can it be in 1971 we sold $7.7 billion and in 1981 over $48 billion. For each bushel of corn there has been exported 2 bushels of topsoil were marketed. The figure for scybeans would be much higher.

When my father and his family farmed, there was a reasonable opportunity to profit in agriculture. There were parameters whereby the farmer could produce and still maintain order to his business. We have been without major production controls since 1973 and just a short while later we are faced with carryovers larger than many crops in the 1960's. This Nation is faced with a dramatic reduction in aggressive, bold, and innovative people in production agriculture.

Your provision for bartering must be established if we are to continue to expand our markets and meet competition. There must be a symbiotic relationship established between Third World nations and ours. As the world changes and the economics become global, our Nation must be in position to fill the void of developing nations' ability to feed and clothe themselves and enhance their natural resources.

Many Third World nations are not poor yet many are, and one of the reasons is that they do not have a marketing system that allows for exploiting and utilizing their natural resources. Bartering commodities would indeed open doors for these nations to prosper.

Courage is the ability to endure, hope is the ability to dream. There is an abundance of courage on the farm today but must we say that we cannot dream. This legislation is a courageous act that will offer hope to this generation of farmers and those to follow.

This is the beginning.

The CHAIRMAN. Thank you very much, Mr. Pettit. We appreciate your contribution and invite you to remain while we hear the other witnesses.

Mr. Hoffman, your name was mentioned so I assume that you are the lead-off witness for this panel.

STATEMENT OF MARTIN J. HOFFMAN, FARMER, HEBRON, IND.

Mr. HOFFMAN. Thank you, Mr. Chairman.

Mr. Chairman and members of this committee, on the bill that you are considering, there is one thing that we are going to be centering on, and I think this one thing will solve the problem of all the other steps in that bill.

If we do one thing we won't need to do a lot of these other things and here is a program that will work.

I want to point this out and I want this gentleman down here to reaffirm this, we put this program before Hopkinsville, Ky., farmers by just advertising, not me but those men did. We had 500 farmers at that meeting. We took a ballot vote afterwards and they voted 81 percent in favor, 12 percent undecided, and 7 percent said no. Right?

Mr. PETTIT. Right, Martin.

And Mr. Chairman, there was no food, no trinkets, and no door prizes at this meeting.

The CHAIRMAN. Quite an unusual meeting.

Mr. HOFFMAN. Here is the program.

As an American citizen, I, or we, have the responsibility to help make our legislators serve as effectively as possible. We can help them do this by offering solutions to our major problems.

To restore prosperity to agriculture, we propose a referendum where farmers would have the opportunity to vote on a mandatory land retirement program. If approved by a majority of farmers voting, and you have 55 percent in there, which is all right with us, it would be used with a reserve equaling 20 percent of the grain produced to assure consumers an abundant supply of food at stable prices.

Initially, we feel a 15-percent reduction in cropland acreage will be needed to bring grain production in line with demand. The Secretary of Agriculture would then determine the percentage of acreage to be set aside each year, based on prices, production, and demand. In order to give farmers the privilege of voting in a referendum, Congress would have to amend the present Farm Act.

In the land retirement program, all farmers would participate together. If a farmer did not comply, he would have a 10-day notice to correct any violation or be subject to a penalty of $500 per acre for each acre he did not set aside.

This program would be simple and inexpensive to administer by the ASCS. Only one measurement would be made, the set-aside acreage.

Congress would not enforce this program on farmers. They would self-impose it in their own best interests. There would be less Government involvement than with the present programs. Farmers would be free to plant any crops they choose on their remaining acreage and continue to make their own production, management, and marketing decisions.

In conjunction with the land retirement and grain reserve, we recommend that the USDA raise the release-call price to give the free market the opportunity to respond at a higher level.

For the first time, farmers would have the chance to correct their own problems. Grain prices have fallen to disastrous levels. The main cause of continuing depressed, unprofitable prices is overproduction.

A uniform acreage reduction program by all farmers attacks the problem rather than treats the symptoms. Farmers would begin to control their production and manage their supply themselves to achieve higher prices.

I want to explain this basically. We are asking you to ask the Secretary to put in reserve farm-owned storage at farmers' responsibility 20 percent of the year's supply of corn, of wheat, rice, and sorghum. The reason we are saving these grains is for our national protection for the consumer. We have right now 15 percent of the year's corn supply on hand in the reserve. We have about 18 percent supply of wheat.

Then you give the farmers a tool by which they jack the price up with, when you have this 20 percent in the reserve. The tool is the set-aside program.

The reason we are asking that the corn level be raised, the call and the release level, so that when you cut back the open market price will respond and it has room to operate. In a 15-percent cutback, this will amount to 8 or 9 percent reduction in production. So you get 90 or 91 percent of our capacity producing over here at the farm and you have 2 percent supply of the cereal or conversion to wheat grains over here in the reserve.

You have two protections, one for the consumer and a tool for the farmer to jack the price up with.

What would this cost the farmer to do this? He is cutting back production 8 or 9 percent, that is all. But that is what is going to do the trick. That is all he has to raise the open market price to pay for the set-aside.

I have a cost analysis sheet run by Dr. Williams of the ASCS office here in Washington on this program. He said the least amount that it would raise it would be 15 percent up to as high as 30 percent on soybeans. Now we would have it all paid for.

We are on our way. We have protection for the consumer and also we have a tool by which the farmers can move up the price. Attached to that sheet is the mechanics of this program. I see I am out of time.

The CHAIRMAN. You may proceed. We set the time.

Are any of the other members going to speak?

Mr. CARTER. Yes.

The CHAIRMAN. Let's rotate then and we will come back to you. We have some time.

Mr. Leader?

Mr. LEADER. Sir, I was hoping to be last, but if that is mandatory.

The CHAIRMAN. No, no, no, we will work it the way you feel more comfortable. Who would be next, Mr. Carter?

Mr. CARTER. I can speak.

The CHAIRMAN. Are you related?

Mr. CARTER. Pardon me.

The CHAIRMAN. Are you a relation to the Carters that we know.

Mr. CARTER. All I can say is, I understand he was in Washington 4 years and I never heard from him once. So, I do not think so.

The CHAIRMAN. We will hear from you at this time.

STATEMENT OF LAWRENCE CARTER, FARMER, HEBRON, IND.

Mr. CARTER. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, all, thank you very much.

My name is Larry Carter. I live at Hebron, Ind., and farm 1,300 acres. I am happy to participate in this hearing on agriculture policy. I believe most farmers in America deserve more profit, and in order to bring that about it is time to entertain some new concepts to solving the age-old problem of low farm income.

The effects of low farm income are far reaching and is brought to our attention currently by the plight of International Harvester. It

would be a sad day for farmers and all America for IHC to close its doors. If a farmer is going to buy the products of IHC, John Deere Co., et cetera, there must be a profit in farming.

With the passage of the long-awaited farm bill of 1981, it seems apparent that both Houses of Congress are interested in providing a more favorable economic environment for farmers throughout the land.

It has been generally agreed upon by everyone concerned that we have had too much production for the existing demand and that we need to cut back until that demand improves. The 1982 acreage reduction program is a step in the right direction. Because of this program, prices seem to have bottomed out and are improving.

According to industry market letters and other forecasters, the program may not be enough to raise prices to a fair return level for agriculture. What would it take to move prices higher? The May 14, 1982, Kiplinger Agricultural Letter states, "A cut in probable supplies is about the only possibility."

Until the effects of the embargo and trade restriction around the world are overcome, it makes sense to reduce production.

Proposals of low-interest loans are numerous in these times. My opinion is that a low-interest loan is expensive to the Government and a poor substitute for a price at the marketplace.

If a farmer is going to help feed the world, he first must make a profit. If America is going to feed the needy, then it must become the burden of all and not just the farmers.

Martin Hoffman of Indiana has a proposal that is a different concept for the future: a program that would be self-imposed by a majority of the procedures through a referendum vote, a mandatory acreage reduction program, no payment for those acres, and let the market respond to lower production.

Yes, the time has come for a strong program to help solve a tough problem.

I believe that once a farmer studies and understands this program it will be acceptable. A farmer through his vote can affect the destiny of his farm and income. This program can work if everyone assumes a positive approach.

Thank you very much.

The CHAIRMAN. Thank you.

Now, Mr. Brown.

STATEMENT OF RON BROWN, FARMER, LOWELL, IND.

Mr. BROWN. Mr. Chairman and committee members, my name is Ron Brown. I am a farmer from Lake County, Ind.

Everyone is aware that our economy has been in the doldrums for some time. All businesses have been affected by this recession, but I believe that the farmer has been especially hard hit. He has found himself operating not only with slumping demand for his product, but steadily increasing production. Food prices have been drastically depressed. Along with this fact, costs have been increasing.

A farmer can only combat this problem by decreasing his cost per bushel by increasing his production with the same amount of

input. His problems are only compounded by this and he finds himself in a vicious circle which is self-defeating.

The solution to this problem is to work within our economic system and increase demand or decrease supply. I do not believe it is possible for a farmer to directly affect demand. His only solution is to decrease the supply. An acreage set-aside program is the best way to accomplish this.

The Reagan Administration has taken this approach by instituting a voluntary set-aside program of 10-percent feed grain acres and 15-percent wheat acres. The problem with this program is the word "voluntary." Agriculture is made up of numerous individual farms and each one's production represents a minute part of the national production. Thus, in a voluntary set-aside, if everyone does not participate its effect is weakened and eventually destroyed by pitting one farmer against the other and one trying to outguess the other. I can best exemplify this by relating to you my experience in the last voluntary program of 1979.

The winter before that crop year we held some local farm meetings and discussed the pluses with a mandatory set-aside. When the Government announced the voluntary paid-diversion program for 1979, I saw it as a chance to do something about our problem even though it was not mandatory. As the planting season progressed, I saw more and more farmers who had signed up for the program dropping out. The participation in the program was not very high and it was soon very obvious the voluntary set-aside was not going to cut production enough to raise prices. I consoled myself with the idea that at least our farm was one of the few eligible for the program benefits such as the reserve.

The Carter administration placed an embargo on all exports to Russia in January 1980. To ease the effect of this move he also opened up benefits of the past year's program to all farmers. I was left very disillusioned by this experience. I had gained nothing but fewer bushels to sell by participating in the voluntary set-aside.

This experience convinced me that a referendum for a mandatory set-aside is the only solution to the farmers' problem. It places the burden on the farmers to solve their problem, guarantees that everyone participates and the cost to our Government would be reduced. A mandatory set-aside would effectively cut our supply and increase prices. This would not only make farming more profitable and increase farmer spending nationally, but would make our export customers pay a reasonable price for our food, at least above cost of production. This solution would treat the problem and not use artificial supports to prop up prices, which in the long run only tends to worsen the situation such as is happening with the dairy program now.

Give us a chance to vote on a referendum for a mandatory set-aside, and if it is passed, farmers and all agriculture-related businesses will soon find the recession easing.

Thank you.

The CHAIRMAN. Thank you very much.

Mr. Leader, you wish to conclude now?

STATEMENT OF BOB LEADER, FARMER, BROOKSTON, IND.

Mr. LEADER. Thank you.

Anyone in Congress who believes that a voluntary set-aside program works, or voluntary program works, will probably believe that a volunteer army would work and they both work in the same way.

I came here today not with a prepared speech but with an open mind and an open heart and the very same way the farmers, after they finish with a crop, it rains, they go to a local place and have a cup of coffee, there is a spirit there and a spirit of talking about the problems of the world.

I bring that spirit and try to speak from that standpoint, not for myself. I have to say honestly, and I hope I do not embarrass you, but it is kind of hard to speak to a lot of names with empty chairs. I do not know why. Maybe you can tell me that this will be heard by all of them or they will read it or what. But it did cost money and it took time and it takes valuable time to come here.

Can I ask you to answer that? If it puts you in a bad spot just tell me no.

The CHAIRMAN. No, sir, it does not put me in a bad spot. I am going to take your quote and forward it to all the members because you are right. As chairman I guess I have the duty to apologize for the members. But this has been the problem. I do not know, maybe the members are stretched out too thin, they have too many things to do. They have too many committees to serve on, too many subcommittees to serve on.

We are now debating the very important budget resolution on the floor that was scheduled today after we had scheduled our hearing. We were thinking of postponing the hearing but because many people had already started the process to travel here, we decided to hear those who were coming from out of town. But it is a valid concern and——

Mr. LEADER. I appreciate that very much.

Not to interrupt, maybe that is some of our problem. Maybe we are doing too much at one time. You know the same thing goes through with the set-aside, what we are doing to land. People talk about, we have to put land in stop-supply, I agree with that, and I agree with these boys or I wouldn't be here with them.

One thing no one has talked about is our land. Everyone treats our land as dirt. It is not. It is a living, breathing, dying organism. We have a tendency to farm it to death because we are not putting things in set-aside.

One of the interesting things, and this is scriptural, this 15 percent set-aside is almost like putting your land in set-aside, or not farming in 1 out of 7, it rests. Because land is a living, breathing and dying organism, it is like someone working; I will tell him I will feed you all you want to eat but I don't want you to rest, you have to continue to work.

When I was in high school we had a 5-bottom plough we pulled with a 90-horsepower tractor. Today on the same land it takes a 140-horsepower tractor to pull the same plough. We are killing our land, we know that. It is washing down the rivers and blowing away.

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Set-aside is good, it would be good for us not from an economic standpoint but it would be good for the future of America, that that stuff is still going to be there when my kids grow up.

We feed it to death, we pump it up with fertilizers, give it anhydrous ammonia, killing bacteria, give it chemicals, weed killers; sometimes I do not know if we are not making a mistake by trying to produce so much to put ourselves in a hole and end up killing our ground when it is all over with anyway. That is basically all I have to say.

I want to conclude it, I wanted to come here open, listen to what people are saying and respond to that.

The CHAIRMAN. Thank you very much.

I wish every member of Congress were here to listen to you, Mr. Leader. I agree with you 100 percent. I come from an area, deep south Texas, where we feel the same way. You probably better describe it, than I can, what the land is. But I still maintain that when you get on the land, if you do not feel the vibration, it "ain't" going to grow for you. And that is what you so eloquently expressed and that is why we feel that we have responsibility to the farm sector, to those who get on the land and know that it is a living, breathing, producing thing that God gave us. If you do not feel the vibration it isn't going to work. I know you do.

Any of the other members have a question or statement?

Mr. DASCHLE. Mr. Chairman, I want to associate myself with the comments that you just made. And as loudly as one member can, and speaking for a lot of the vacant chairs right now, I very emphatically applaud the comments made by Mr. Leader and the other members of this panel.

In some ways, and this is not to take away at all from those that came before us, but in some ways I wish all of those members would have had the same opportunity to hear you as they did the first panel. I think what you have had to say is equally as important and perhaps in some ways even more enlightening.

I was disappointed throughout this morning in that no one but Mr. Leader has stated something that is fundamental to this legislation, and that is that we are not only dealing with a mechanism by which we hope to improve price, but we are also trying to find a way in which we can improve the soil, in which we can stave off the incredible erosion and the detrimental impact that current farm policy is having on the soil.

We are losing now an average of 8 tons an acre due to erosion. And that kind of erosion cannot continue for very long before our productivity is very detrimentally affected.

So Mr. Leader, I applaud you and I share the chairman's apologetic feelings this morning in indicating, as he did, the reason for the absence. But I can assure you that along with the chairman, the other members will have an opportunity to read and to learn from what you had to say.

I have one question and that is, if this panel could address the problem that I am asked frequently about a referendum, and that is, are we already too late for the 1983 crop in terms of a referendum. How long in your mind would it take, if this legislation passes this month, let's say in June. What is the fastest time which

a referendum could be initiated and could it be done yet effectively for the 1983 crop?

Mr. Hoffman?

Mr. HOFFMAN. Yes, indeed, because of the fact that the wheat growers are offered a 15 percent referendum, 15 percent set-aside now. They could vote later on. But here is the thing. There has been talk about different commodities, Mr. Daschle, voting on a referendum. The administration of that and the governing of that is just unbelievable.

I have three crops which I produce, wheat, corn, soybeans. If I had to vote on each one of those for a referendum on individual crop basis I would drive myself nuts measuring my farm. I only want one measurement and that is my set-aside measurement. I will even pay it out of my own expense.

That reduction, let the farmers go back and produce according to the market, let them make that decision. If you would ask the farmers, Mr. Daschle, in your area this question, and it is a very simple question, if everybody would set aside 5 percent of their ground for conservation purposes or whatever you want to call it, for set-aside, and you planted the rest the way you want to, would you be willing to do it, I guarantee you 90 percent of them will tell you yes.

Mr. DASCHLE. Is it the view with unanimity that we can implement a referendum in time for the 1983 crop?

Mr. Pettit, I don't mean to ignore you, because I was extraordinarily impressed with the statement you made. It was one of the most eloquent presentations given before this committee since I have been here. I am very grateful to you.

How do you feel about the referendum in terms of time? Are we in time? Can we do it for next year? What about the South, where they tell me crops are contemplated already for the next year?

Mr. PETTIT. At this present time, nobody is contemplating a crop past this one. Many, many farmers are saying, well, if I get this one made, I will try to get refined next year. Let's look at the problem: 800,000 farmers are producing the bulk of the commodities in this country. Those 800,000 folks—over $200 billion. They are from 30 to 48 years of age. That is the bulk. That is where you are aggressive, innovative, the bold. The boys that should be doing business are doing business.

With that $200 billion debt riding on them, without any cash flow to service it, what are we thinking about next year, except trying to get this year to meet those obligations. I am no different in my operation than any others. In the last 3 weeks, I have called Washington 17 times for 17 different farmers trying to get an FmHA loan for them.

I had a 58-year-old man sit in my kitchen the other day, Federal land bank and PCA had not allowed him any living expenses since January. He was out of money. He could not pay his light bill; he could not do anything. I broke the law; I told him you sell a load of hogs in my name and bring me that check, and I will endorse it to you, and you will have some money to live on and buy groceries with.

The man is a broken man; he is 58 years old. He was an innovator; he was an innovator in the pork industry. He was the first to

use all-slatted crates, one of the first in the industry—broke; 1983, 1982, October of this year, September of this year, I think the farmer is ready to vote. You are going to receive some resistance in the Midwest, Congressman; I won't deny that. Central Illinois, strong Farm Bureau belt, you are going to receive some resistance. But it gets back to a matter of statesmanship.

I was privileged as a young man growing up to have the late Alben Barkley many, many times as a guest in my home. My father was his last campaign manager, when he ran for the U.S. Senate; was an honorary pallbearer. I remember one thing he always preached when I was little folks growing up: He said a politician should be a statesman. As you all, and we all, remember his last remarks while he was giving the address at George Washington University, that he would much rather sit in the seat of a pauper in the House of the Lord than to be in the highest seat of the mighty upon this Earth, and he did, gentlemen.

That is what we have to do from the Halls of Congress.

We can't depend on the administration; they are not elected; they are appointed. Only the President is elected. But you people are elected by the people, the grassroots, many, many divergent outlooks, many hopes and dreams. It has got to come from you.

Thank you.

The CHAIRMAN. Would the gentleman yield?

Mr. DASCHLE. Yes.

The CHAIRMAN. I would like to document the case you mentioned, because it is very interesting, Mr. Pettit, but yesterday's hogs were $16.10 a hundred more than the same day last year. Corn was 56½ cents less per bushel than the same day last year. What made the hog producer get into trouble?

Mr. PETTIT. Mr. Chairman, there are three things going on in the pork industry. No. 1, these inventories have value now. And the creditors see an opportunity to get out. When a sow, today, will bring $250 to $300—8 weeks ago, she was only worth $125. We have had this dramatic rise in the value of inventory.

Now, No. 2, irrespective of whether hogs are $60 or $63, or $58, for the last 44 months there has been sustained losses in the pork industry.

I have a friend that produces 22,000 head a year; I produce about 2,000. His interest charge went from $3.25 per head to $18.47 a head, financing his losses until hogs would turn around. From a little over $3 to a little over $18, which is about a $15 increase in interest charge alone because he has been financing these losses. His cash flow won't work, still.

Now, granted, this gentleman in the pork industry is in trouble, but he is a "patient that made it out of the operating room." He survived the operation only to die after he had been placed in his room. And many, many are doing this in this industry today, Mr. Chairman.

The CHAIRMAN. So the bottom line, then, is that we can attribute the problem to the high interest rate.

Mr. PETTIT. High interest rate; yes, sir.

The CHAIRMAN. Plus other factors; but high interest rate is the major source.

Mr. PETTIT. The major source is high interest. I do believe for each percentage point drop in interest, you will see a rather dramatic climb in farm prices; I truly believe that. I have to wonder, sir, and I pose this question, and I will pose it to this committee even though it is not a part of it: How can it be that one Paul Volcker can administer havoc and wreck the hopes and dreams upon the Americas? I ask that question because I wonder if it is not an infringement of my constitutional rights. I ask you that. It needs researching, I do believe.

The CHAIRMAN. It may well be; thank you.

Mr. DASCHLE. I again reiterate my sincere thanks to this panel. It is an excellent one. You have certainly done this committee a fine service by presenting your views to us this morning.

The CHAIRMAN. Mr. Bedell?

Mr. BEDELL. Mr. Brown, what do you expect the actual participation in your area to be in the current farm set-aside program?

Mr. BROWN. I was the one that gave the example of participating in the 1979 set-aside. What we found there was a lot of sign-up and very little participation. I don't see any change now to lead me to think there is going to be a change. In fact, that is one reason we have signed up because we feel that farm prices are going to be drastically lower at the end of this cropping year, because of lack of participation, and we feel that the guarantees are going to be needed to survive.

Mr. BEDELL. If you were to guess, would you guess more or less than 30-percent participation of farmers?

Mr. BROWN. Less.

Mr. BEDELL. What about the rest of you? Raise your hands; how many think it will be more than 30 percent in your area? We have one, or two. How many less than 30 percent, only one? Two, not knowing?

Mr. PETTIT. It is much less than 30 in my area. Five percent would be a good figure.

Mr. BEDELL. I guess you are not sure.

Mr. Leader?

Mr. LEADER. Are you talking about the current one?

Mr. BEDELL. The current one.

Mr. LEADER. I haven't seen it. One thing about my section is that it is very good, dark, every bit of ground produces something. I think my uncle participated, about the only person I know. I haven't seen anyone else.

Mr. BEDELL. I yield to the gentleman.

Mr. FITHIAN. As you drive across the district out there, that part of the State, isn't it fair to say that if there were going to be any real substantial participation, we would see a lot more oats, cover crop, put out on the ground that they were not going to plant if they were going to participate already?

I just think 30 percent would be extraordinarily high for northern Indiana. I do not think it is going to come close to that.

Mr. BEDELL [acting chairman]. The bells have rung. I would like to give the gentleman from Indiana a little time. My impression is, by and large, you folks are very supportive of the type of legislation here because it follows almost directly what you have been proposing, Mr. Hoffman.

Mr. HOFFMAN. We feel if this referendum would take place, these other things would get themselves in line. That is my personal feeling. Let the farmers have the privilege of set-aside—that 15 percent through a referendum. I challenge you this way: If you think your farmers in your area won't go with this, have a meeting, have it explained properly and the program we have presented here today.

Mr. BEDELL. My farmers have already indicated that.

I yield back.

The CHAIRMAN. Thank you. The gentleman from Indiana.

Mr. FITHIAN. The bells have rung. Sometimes we are caught in a very decisive crack right now. The farm credit structure is stretched out almost to the breaking point and a fair number of farmers are going to go broke, go bankrupt in this year.

Most of the farmers in our sector that I talk to and most of the farm-lending institutions, it has basically been what one or two of the members have mentioned, that is if they get the crop financed this year, something has to happen prior to getting it financed one more time. I think that was Mr. Pettit's thrust. That is what we are hearing pretty much.

My question of the panel is this: Faced with that imminent problem, what do you think ought to be done prior to the implementation of the referendum which, if it goes as you predicted it would go, would take effect? I think this is what Congressman Daschle was getting at; would take effect for the 1983 crop?

My concern is not only for the 1983 crop but for what is going to happen to the collapse of agriculture between now and 1983.

I will tell you very candidly, I do not think we have 15 months left in American agriculture.

Mr. HOFFMAN. I would like to respond to your question, Congressman. One of the main things that you could do is to give the Secretary a goal of maintaining a 20-percent reserve that would increase the corn reserve by 5 percent. That would take care of that. If you could announce that we were going to have a referendum this year and that the farmers would pass it, it would have a direct bearing upon the price immediately.

Those two things can happen very quickly. Because of this, we are cutting back 8 or 9 percent in production by next year, and that will be a real tool in itself. Those two things you can do, put an additional 5 percent of corn, some more wheat in the reserve and announce a set-aside program, a referendum by which the farmers would vote and the market will respond almost immediately.

Mr. FITHIAN. Anyone else have any comment on that?

Mr. CARTER. I would like to state that the earlier panel had some ideas about conducting this referendum, and the eligibility of voters; I think three or four of us are probably in disagreement with that. I think there would have to be some study into how to set that eligibility.

I just want to be on record that we are not in agreement with everything that was said here earlier. With regard to your question about the reserve acres, I think it is too early at this point to tell because farmers just have not done anything, seeding of oats, cover crops, that type of thing yet.

So I think it is too early to say and judge, riding down the road, what acreage is set aside.

Mr. BEDELL. Will you yield? Would you be willing to let Mr. Fithian know where you disagree with regard to how we determine who gets to vote?

Mr. CARTER. Yes.

Mr. BEDELL. I do not know if we have time now.

Mr. CARTER. Right. I understand when we started, Mr. Hoffman was going to come back and go into more detail, but we have bypassed that time. So we would be happy to go at it that way at some later time.

Mr. BEDELL. The committee certainly will listen quite clearly to anything Mr. Fithian has to say in this committee. If you would let him know, it would be beneficial.

Mr. FITHIAN. If I ask unanimous consent of the chairman to incorporate into the record the further explanation of the specifics of what I will call for record purposes the Hoffman set-aside voting formula.

The CHAIRMAN. Without objection. Do you have a prepared statement now, Mr. Hoffman?

Mr. HOFFMAN. Yes, I do.

The CHAIRMAN. Without objection, your full statement will appear in the record, and any further addition you may wish to make. If you are prepared to do so now, if not, you may split it.

Mr. HOFFMAN. I would be willing to give the cost analysis sheet that Dr. Williams ran, by the instruction of Mr. Lett of the USDA, and in those cost analysis sheets, "A mandatory cropland set-aside would likely cost the Government $1.7 to $1.9 billion less in fiscal year 1984 than is currently projected for acreage reduction type programs. The reduction in CCC outlays reflects the increase in wheat, cotton, and rice program costs being more than offset by a large reduction in feed grain and soybean program expenditures."

The CHAIRMAN. Thank you. Statements that may be submitted by this panel, or any other persons, including one from the National Rural Electric Cooperative Association, will appear in the printed record.

[The cost analysis sheet of Dr. Williams follows:]

SUMMARY OF 15% MANDATORY CROPLAND SET-ASIDE PROGRAM
Proposal of Mr. Martin Hoffman, Hebron, Indiana
(Indiana Prairie Farmer)

A. Proposal

This proposal provides that a nationwide referendum of landowners and operators be conducted annually by ASCS to determine if a mandatory cropland set-aside program is to be established. A majority vote is needed to pass the referendum. Producers who plant more than the authorized acreage would be subject to a $500 fine for each acre in violation.

B. Assumptions

The analysis of this proposal is based on the following assumptions:

1. A 15 percent cropland set-aside is established for the 1983 crop.
2. Other program provisions (loan rates, target prices, reserve provisions) are the same as assumed for the base options for the 1983 programs; and
3. The 1983 cropland base would equal the sum of the program bases established in 1982 plus the acreage planted to the other principal crops in 1981. The national cropland base would be approximately 304 million acres.

C. Summary of Key Results

A mandatory cropland set-aside would be an effective tool in reducing planted acreage. While prices for most crops would increase, a mandatory cropland set-aside would be ineffective in aligning supply with expected demand in particular commodity markets. A mandatory program does not appear to be an acceptable policy instrument in addressing the need for various levels of production adjustment by commodity.

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The feasibility of this proposal is less clear. With few exceptions, farmers are reluctant to accept mandatory programs. It is not clear whether a majority of this country's producers would approve such a referendum. It is highly unlikely that small-scale farmers and producers of specialty crops would favor this proposal. More importantly, a mandatory cropland set-aside program may not be effective in alleviating certain excess supply conditions for certain crops, especially crops that have a particularly attractive price support program.

Conducting a referendum and imposing the severe penalties provided in this proposal would create additional administrative difficulties. Moreover, enactment of this proposal would impose more regulation on the agricultural sector--an action that is in direct opposition to the thrust of this Administration's policy.

A mandatory cropland set-aside would likely cost the Government $1.7 to $1.9 billion less in FY 1984 than is currently projected for acreage reduction type programs. The reduction in CCC outlays reflects the increase in wheat, cotton, and rice program costs being more than offset by a large reduction in feed grain and soybean program expenditures.

D. Analysis

The mandatory cropland set-aside program is expected to be extremely effective in reducing total planted acreage. Slippage would be extremely low because designated set-aside acres would come from actual cropland rather than fallow, tame pasture and hayland and idled cropland.

The acreage planted to corn would be approximately 71.5 million acres, about 12 million acres less than is projected under a 10 percent acreage reduction program. Sorghum and barley acreage would be reduced approximately two million acres and oat acreage down four million acres from an acreage reduction program.

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Soybean acreage would also be reduced 10 million acres.

Corn prices under this proposal would likely increase 10 to 15 percent; similar price increases could be expected for sorghum and barley. Oat prices may increase 18-22 percent. Soybean prices would also likely increase approximately 30 percent. At such price levels, some 1981-crop reserve grain would likely be redeemed.

Although all producers would be eligible for program benefits, higher feed grain prices would reduce net loan and inventory costs and eliminate deficiency payments. In addition, forfeitures of 1982-crop corn and sorghum CCC loans would be eliminated. Government feed grain program outlays for fiscal year 1983 would be reduced by $2.4 billion to $2.7 billion from current cost projections of a feed grain acreage reduction program in 1983.

Wheat plantings would be approximately 2.5 million less than is projected under a 15 percent acreage reduction program. Thus, wheat production would be reduced by 40 million bushels. With all producers eligible for program benefits, farmer-owned reserve quantities would probably increase by 4 to 5 percent, resulting in a 5 percent increase in farm prices (15 to 20 cents) over that expected under the acreage reduction program. However, with universal producer eligibility, the increase in deficiency payments more than offsets the reduction in net loan outlays. As a result, government outlays for fiscal years 1982 and 1983 would likely be slightly higher.

Cotton production would be slightly lower than that projected for a 15 percent acreage reduction program. Use would remain almost unchanged implying a reduction in stocks. The season average price of upland cotton is estimated to drop by approximately 6 percent, which would in turn increase the deficiency

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payment rate. The higher payment rate and universal eligibility would more than double deficiency payments; loan outlays would also increase about $50 million.

Acreage planted to rice would be greater than the level expected under a 15 percent acreage reduction program. The failure to reduce rice acreage is due to the profitability of rice compared to alternative crops, the absence of provisions which require acreage reductions of a specific crop and less production risks associated with rice production (an irrigated crop) compared to alternative crops. The higher level of production would tend to lower market prices about 15 percent; government expenditures for deficiency payments would increase by $380 million as a result of a higher payment rate and total eligibility. Additionally, CCC would likely takeover about 20 million hundredweight of 1983 crop rice at a cost of about $180 million. Under the current program no takeover of 1983-crop rice is expected.

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The CHAIRMAN. Thank you very much, again.

As best I can, I apologize for the absence of members.

Mr. HOFFMAN. Mr. Chairman, may I say something?

The CHAIRMAN. Yes, Mr. Hoffman.

Mr. HOFFMAN. I guess if I have a sinking heart it is because of that reason. We spent our own money to come out here and we feel that we have got a program that you can work with, will not cost the Government any money, and it makes me go home sad because of the fact that we do not have someone here that will even sit and listen. Now they probably have reasons for not doing that, but I have to say I am pretty saddened about the whole thing.

Mr. BEDELL. Will the gentleman yield? You may not have numbers but you have the quality here, Mr. Hoffman.

The CHAIRMAN. Mr. Hoffman, I sympathize with you, but do not be disappointed. Your pleas have been heard. The system works. You are here, maybe not all the members were here, but your suggestions, recommendations, will be woven into the system.

There are many other countries in the world where a farmer could not come to speak to one member. So do not feel badly about that. All the members will be apprised, the subcommittees will meet, the committee will meet. Your trip has not been in vain. It has been a very valuable contribution. If we would have a full house and no one listened to you, you probably could have gone home very happy.

Mr. HOFFMAN. Thank you very much, Mr. Chairman. I guess that will console me for the time being.

The CHAIRMAN. Thank you very much.

The committee will stand adjourned subject to the further call of the Chair.

[Whereupon, at 12:55 p.m., the committee was adjourned.]

[The bill, H.R. 6274, and the report from the U.S. Department of Agriculture, and submitted material follow:]

I

97TH CONGRESS
2D SESSION

H. R. 6274

To require the Secretary of Agriculture to make land diversion payments for the 1982 crops of wheat, feed grains, cotton, and rice and to establish acreage limitation programs for the 1983 through 1985 crops of wheat, feed grains, and cotton if producers approve such programs or if carryovers of such crops reach certain levels, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 5, 1982

Mr. DASCHLE (for himself, Mr. HANCE, Mr. JONES of Tennessee, Mr. HARKIN, Mr. ALBOSTA, Mr. BEDELL, Mr. DORGAN of North Dakota, Mr. ENGLISH, Mr. GLICKMAN, Mr. GUNDERSON, Mr. HIGHTOWER, Mr. LEATH of Texas, Mr. MARLENEE, Mr. MCCURDY, Mr. PANETTA, Mr. ROBERTS of Kansas, Mr. ROSE, Mr. SKELTON, Mr. STANGELAND, Mr. STENHOLM, Mr. SYNAR, Mrs. SMITH of Nebraska, Mr. WILLIAMS of Montana, and Mr. DE LA GARZA) introduced the following bill; which was referred to the Committee on Agriculture

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A BILL

To require the Secretary of Agriculture to make land diversion payments for the 1982 crops of wheat, feed grains, cotton, and rice and to establish acreage limitation programs for the 1983 through 1985 crops of wheat, feed grains, and cotton if producers approve such programs or if carryovers of such crops reach certain levels, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

That this Act may be cited as the "Farm Crisis Act of 1982".

TITLE I—LAND DIVERSION PAYMENTS FOR 1982 CROPS OF WHEAT, FEED GRAINS, COTTON, AND RICE

WHEAT

SEC. 101. Notwithstanding section 301 of the Agriculture and Food Act of 1981 (95 Stat. 1221) and section 107B(e)(5) of the Agricultural Act of 1949 (7 U.S.C. 1445b–1(e)(5)), for purposes of the 1982 crop of wheat, such section 107B(e)(5) shall be deemed to read as follows:

"(5) The Secretary shall make land diversion payments available to producers of the 1982 crop of wheat at a rate of $2 per bushel for the yield established for the farm for the wheat acreage on the farm which is diverted. Such land diversion payments shall be made only to producers who participate in the acreage limitation program for the 1982 crop of wheat and who devote to approved conservation uses or, if they have planted the 1982 crop before the date of the enactment of the Farm Crisis Act of 1982, to hay and grazing, 5 per centum of the acreage base for each wheat-producing farm, in addition to any such base required to be devoted to conservation purposes under the acreage limitation program, in accordance with land diversion contracts entered into by the Secretary with such producers. The Secretary shall pro-

vide producers an opportunity to apply to participate in the land diversion program through the end of the certification period under the acreage limitation program.".

FEED GRAINS

SEC. 102. Notwithstanding section 401 of the Agriculture and Food Act of 1981 (95 Stat. 1227) and section 105B(e)(5) of the Agricultural Act of 1949 (7 U.S.C. 1444d(e)(5)), for purposes of the 1982 crop of feed grains, such section 105B(e)(5) shall be deemed to read as follows:

"(5) The Secretary shall make land diversion payments available to producers of the 1982 crop of feed grains at a rate of $1.25 per bushel, in the case of corn, and at such rate as the Secretary determines fair and reasonable in relation to the rate at which payments are made for corn, in the case of grain sorghums, oats, and barley, for the yield of such commodities established for the farm for the acreage thereof on the farm which is diverted. Such land diversion payments shall be made only to producers who participate, with respect to any feed grain, in the acreage limitation program for the 1982 crop of feed grains and who devote to approved conservation uses or, if they have planted the 1982 crop before the date of the enactment of the Farm Crisis Act of 1982, to hay and grazing, 5 per centum of the acreage base for any feed grain for each feed grain-producing farm, in addition to any such base required to be devoted to conservation purposes

under the acreage limitation program, in accordance with land diversion contracts entered into by the Secretary with such producers. The Secretary shall provide producers an opportunity to apply to participate in the land diversion program through the end of the certification period under the acreage limitation program.".

COTTON

SEC. 103. Notwithstanding section 502 of the Agriculture and Food Act of 1981 (95 Stat. 1234) and section 103(g)(9)(B) of the Agricultural Act of 1949 (7 U.S.C. 1444(g)(9)(B)), for purposes of the 1982 crop of upland cotton, such section 103(g)(9)(B) shall be deemed to read as follows:

"(B) The Secretary shall make land diversion payments available to producers of the 1982 crop of upland cotton at a rate of 20 cents per pound for the yield established for the farm for the upland cotton acreage on the farm which is diverted. Such land diversion payments shall be made only to producers who participate in the acreage limitation program for the 1982 crop for upland cotton and who devote to approved conservation uses, or, if they have planted the 1982 crop before the date of the enactment of the Farm Crisis Act of 1982, to hay and grazing, 5 per centum of the acreage base for each cotton-producing farm, in addition to any such base required to be devoted to conservation purposes under

the acreage limitation program, in accordance with land diversion contracts entered into by the Secretary with such producers. The Secretary shall provide producers an opportunity to apply to participate in the land diversion program through the end of the certification period under the acreage limitation program.".

RICE

SEC. 104. Notwithstanding section 602 of the Agriculture and Food Act of 1981 (95 Stat. 1242) and section 101(i)(5)(B) of the Agricultural Act of 1949 (7 U.S.C. 1441(i)(5)(B)), for purposes of the 1982 crop of rice, such section 101(i)(5)(B) shall be deemed to read as follows:

"(B) The Secretary shall make land diversion payments available to producers of the 1982 crop of rice at a rate of $2.20 per hundredweight for the yield established for the farm for the rice acreage on the farm which is diverted. Such land diversion payments shall be made only to producers who participate in the acreage limitation program for the 1982 crop for rice and who devote to approved conservation uses, or, if they have planted the 1982 crop before the date of the enactment of the Farm Crisis Act of 1982, to hay and grazing, 5 per centum of the acreage base for each rice-producing farm, in addition to any such base required to be devoted to conservation purposes under the acreage limitation program, in accordance with land diversion contracts entered into by

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the Secretary with such producers. The Secretary shall provide producers an opportunity to apply to participate in the land diversion program through the end of the certification period under the acreage limitation program.".

TITLE II—ACREAGE LIMITATION AND CROPLAND CONSERVATION PROGRAMS FOR 1983 THROUGH 1985 CROPS

WHEAT

SEC. 201. (a) Section 107B(c)(3) of the Agricultural Act of 1949 (7 U.S.C. 1445b–1(c)(3)) is amended by striking out "subsection (e)(2)" each place it appears and inserting in lieu thereof "subsection (e)(1)(B)".

(b) Section 107B(e) of the Agricultural Act of 1949 (7 U.S.C. 1445b–1(e)) is amended—

(1) in paragraph (1)—

(A) by inserting "(A)" after "(e)(1)",

(B) in the first sentence by striking out "the Secretary may" and all that follows through the end of such sentence and inserting in lieu thereof the following: "If producers disapprove a national cropland conservation program proclaimed for a crop of commodities under section 204 of the Farm Crisis Act of 1982 and if the Secretary determines that the carryover of wheat at the beginning of the marketing year which begins in the

calendar year of such disapproval exceeds 5 per centum of the quantity of wheat consumed worldwide during the one-year period preceding such marketing year, then the Secretary shall establish an acreage limitation program for such crop.", and

(C) in the second sentence by striking out "or set-aside program",

(2) in paragraph (2)—

(A) in the first sentence—

(i) by striking out "paragraph (1) of this subsection" and inserting in lieu thereof "subparagraph (A) of this paragraph", and

(ii) by inserting "of not less than 15 per centum" after "reduction"

(B) in the sixth sentence—

(i) by striking out "(A)" and inserting in lieu thereof "(i)", and

(ii) by striking out "(B)" and inserting in lieu thereof "(ii)",

(C) in the eighth sentence by striking out "paragraph (1) of this subsection" and inserting in lieu thereof "subparagraph (A) of this paragraph",

(D) by adding at the end thereof the following: "If such an acreage limitation program is an-

nounced, then the Secretary shall make available loans and purchases for such crop under subsection (a) of this section at a level which is equal to 105 per centum of the level that would have been established for such crop under such subsection but for the operation of this sentence.", and

(E) by redesignating such paragraph as subparagraph (B),

(3) by striking out paragraph (3) and inserting in lieu thereof the following:

"(C) If an acreage limitation program is announced under subparagraph (A) of this paragraph for a crop of wheat, then producers may enter into agreements with the Secretary under which—

"(i) such producers agree to withdraw from production (in addition to the acreage withdrawn from production under subparagraph (B) of this paragraph) and devote to conservation uses, in accordance with regulations issued by the Secretary, 15 per centum of the applicable acreage base established under subparagraph (B) of this paragraph; and

"(ii) the Secretary agrees to make available (in lieu of amounts made available under the last sentence of subparagraph (B) of this paragraph) loans and purchases to such producers for such crop under subsec-

tion (a) of this section at a level which is equal to 115 per centum of the level that would have been established for such crop under such subsection (without regard to such sentence) but for the operation of this subparagraph.",

(4) in paragraph (4)—

(A) in the first sentence by striking out "paragraphs (2) and (3) of this subsection" and inserting in lieu thereof "subparagraphs (B) and (C) of this paragraph",

(B) in the second sentence by striking out ", hay and grazing",

(C) by inserting after the second sentence the following: "The Secretary shall permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of such acreage to be devoted to hay and grazing.",

(D) in the last sentence by striking out "or set-aside", and

(E) by redesignating such paragraph as subparagraph (D),

(5) in paragraph (5)—

(A) in the first sentence by striking out "or set-aside", and

(B) by redesignating such paragraph as paragraph (2),

(6) in paragraph (6)—

(A) in the first sentence by striking out ", set-aside acreage,", and

(B) by redesignating such paragraph as paragraph (3), and

(7) by redesignating paragraph (7) as paragraph (4).

(c) Section 107B(k) of the Agricultural Act of 1949 (7 U.S.C. 1445b–1(k)) is amended by striking out "subsection (e)(2)" and all that follows through the end thereof and inserting in lieu thereof "subsection (e)(1)(A) of this section.".

FEED GRAINS

SEC. 202. (a) Section 105B(c)(3) of the Agricultural Act of 1949 (7 U.S.C. 1444d(c)(3)) is amended by striking out "subsection (e)(2)" each place it appears and inserting in lieu thereof "subsection (e)(1)(B)".

(b) Section 105B(e) of the Agricultural Act of 1949 (7 U.S.C. 1444d(e)) is amended—

(1) in paragraph (1)—

(A) by inserting "(A)" after "(e)(1)",

(B) in the first sentence by striking out "the Secretary may" and all that follows through the end of such sentence and inserting in lieu thereof

the following: "If producers disapprove a national cropland conservation program proclaimed for a crop of commodities under section 204 of the Farm Crisis Act of 1982 and if the Secretary determines that the carryover of feed grains at the beginning of the marketing year which begins in the calendar year of such disapproval exceeds 18 per centum of the quantity of feed grains utilized domestically and for export by the United States during the one-year period preceding such marketing year, then the Secretary shall establish an acreage limitation program for such crop.", and

(C) in the second sentence by striking out "or set-aside program",

(2) in paragraph (2)—

(A) in the first sentence—

(i) by striking out "paragraph (1) of this subsection" and inserting in lieu thereof "subparagraph (A) of this paragraph", and

(ii) by inserting "of not less than 15 per centum" after "reduction",

(B) in the seventh sentence—

(i) by striking out "(A)" and inserting in lieu thereof "(i)", and

(ii) by striking out "(B)" and inserting in lieu thereof "(ii)",

(C) in the ninth sentence by striking out "paragraph (1) of this subsection" and inserting in lieu thereof "subparagraph (A) of this paragraph",

(D) by adding at the end thereof the following: "If such an acreage limitation program is announced, then the Secretary shall make available loans and purchases for such crop under subsection (a) of this section at a level which is equal to 105 per centum of the level that would have been established for such crop under such subsection but for the operation of this sentence.", and

(E) by redesignating such paragraph as subparagraph (B),

(3) by striking out paragraph (3) and inserting in lieu thereof the following:

"(C) If an acreage limitation program is announced under subparagraph (A) of this paragraph for a crop of feed grains, then producers may enter into agreements with the Secretary under which—

"(i) such producers agree to withdraw from production (in addition to the acreage withdrawn from production under subparagraph (B) of this paragraph) and devote to conservation uses, in accordance with

regulations issued by the Secretary, 10 per centum of the applicable acreage base established under subparagraph (B) of this paragraph; and

"(ii) the Secretary agrees to make available (in lieu of amounts made available under the last sentence of subparagraph (B) of this paragraph) loans and purchases to such producers for such crop under subsection (a) of this section at a level which is equal to 110 per centum of the level that would have been established for such crop under such subsection (without regard to such sentence) but for the operation of this subparagraph.",

(4) in paragraph (4)—

(A) by striking out "paragraphs (2) and (3) of this subsection" and inserting in lieu thereof "subparagraphs (B) and (C) of this paragraph", and

(B) by redesignating such paragraph as subparagraph (D),

(5) in paragraph (5)—

(A) in the first sentence by striking out "or set-aside", and

(B) by redesignating such paragraph as paragraph (2),

(6) in paragraph (6)—

(A) in the first sentence by striking out ", set-aside acreage,", and

(B) by redesignating such paragraph as paragraph (3), and

(7) by redesignating paragraph (7) as paragraph (4).

(c) Section 105B(k) of the Agricultural Act of 1949 (7 U.S.C. 1444d(k)) is amended by striking out "subsection (e)(2)" and all that follows through the end thereof and inserting in lieu thereof "subsection (e)(1) of this section.".

COTTON

SEC. 203. Section 103(g)(9)(A) of the Agricultural Act of 1949 (7 U.S.C. 1444(g)(9)(A)) is amended—

(1) by inserting "(i)" after "(9)(A)",

(2) in the first sentence by striking out "the Secretary may" and all that follows through the end of such sentence and inserting in lieu thereof the following: "If producers disapprove a national cropland conservation program proclaimed for a crop of commodities under section 204 of the Farm Crisis Act of 1982 and if the Secretary determines that the carryover of upland cotton at the beginning of the marketing year which begins in the calendar year of such disapproval exceeds 4,200,000 bales, then the Secretary shall es-

tablish for such crop a limitation on the acreage planted to upland cotton.",

(3) in the second sentence by inserting "of not less than 15 per centum" after "reduction", and

(4) by adding at the end thereof the following new clauses:

"(ii) If an acreage limitation program is announced under clause (i) of this subparagraph for a crop of upland cotton, then the Secretary shall make available loans and purchases for such crop under paragraph (1) of this subsection at a level which is equal to 110 per centum of the level that would have been established for such crop under such paragraph but for the operation of this clause.

"(iii) If such an acreage limitation program is announced, then producers may enter into agreements with the Secretary under which—

"(I) such producers agree to withdraw from production (in addition to the acreage withdrawn from production under clause (i) of this subparagraph) and devote to conservation uses, in accordance with regulations issued by the Secretary, 10 per centum of the applicable acreage base established under such clause; and

"(II) the Secretary agrees to make available (in lieu of amounts made available under clause (ii) of this

subparagraph) loans to such producers for such crop under paragraph (1) of this subsection at a level which is equal to 120 per centum of the level that would have been established for such crop under such paragraph (without regard to clause (ii) of this subparagraph) but for the operation of this clause.".

NATIONAL CROPLAND CONSERVATION PROGRAM

SEC. 204. (a) Notwithstanding any other provision of law, the Secretary of Agriculture (hereinafter in this section referred to as the "Secretary") shall, for the purpose of furthering the conservation and protection of cropland in the United States and regulating production of certain agricultural commodities which move preponderantly in interstate and foreign commerce, proclaim a national cropland conservation program for each of the 1983, 1984, and 1985 crops of all commodities the price of which is supported by the Secretary under the Agricultural Act of 1949, other than milk and honey. Under the program, the Secretary shall provide that the producer of any commodity covered by the proclamation (1) shall not exceed (A) 85 per centum of the acreage on the farm normally planted to such commodity, as determined by the Secretary and adjusted as deemed necessary by the Secretary to be fair and reasonable among producers, or (B) such greater percentage thereof as the Secretary may establish with respect to any such commodity, after taking into consid-

eration the estimated stocks of the commodity in the United States (including the qualities of such stocks) and stocks in foreign countries which would be available for the period covered by the proclamation to assure the maintenance of adequate but not excessive stocks in the United States to provide a continuous and stable supply of the commodity needed in the United States and in foreign consuming countries, and for purposes of national security, and (2) shall devote the balance of the acreage on the farm normally planted to such commodity to such conservation uses as the Secretary may by regulation prescribe. For purposes of this subsection, the following, as determined by the Secretary, shall not be considered acreage on the farm normally planted to such commodity:

(1) acreage on the farm devoted to the production of quota peanuts;

(2) acreage on the farm equal to any tobacco acreage allotment established for the farm under the Agricultural Adjustment Act of 1938; and

(3) acreage on the farm devoted to the production of commodities which are subject to marketing agreements or orders under the Agricultural Marketing Agreement Act of 1937.

(b) The Secretary shall make the proclamation required by subsection (a) not later than June 1 of the calendar year preceding the calendar year in which the commodities cov-

ered by the proclamation will be harvested. Not later than July 1 following the issuance of the proclamation, the Secretary shall conduct a referendum, by secret ballot, of producers engaged in the production of commodities which are covered by the proclamation and which will be harvested during the calendar year in which the referendum is held, to determine whether such producers are in favor of or opposed to the program so proclaimed. The Secretary shall proclaim the results of the referendum within thirty days after the date on which it is held and if more than forty-five percent of the producers voting in the referendum vote against the program, the Secretary shall proclaim that the program will not be in effect with respect to commodities which are covered by the proclamation and which will be harvested in the calendar year immediately following the calendar year in which the referendum is held.

(c) Notwithstanding any other provision of law—

(1) If producers voting in the referendum held under subsection (b) approve the national cropland conservation program proclaimed by the Secretary, (A) the level of loans and purchases for commodities covered by the proclamation shall be not less than 110 per centum of the loan and purchase level therefor which would otherwise apply under the Agricultural Act of 1949, as announced in advance by the Secretary before

the date of the referendum, and (B) any producer of any commodity subject to the provisions of subsection (a) who, with respect to the crop covered by the proclamation, exceeds 85 per centum (or any increased percentage established by the Secretary) of the acreage on the farm normally planted to the commodity, shall not be eligible, during the calendar year in which the commodity is harvested and during the two immediately succeeding calendar years, (i) for loans, purchases, payments, or other benefits under the Agricultural Act of 1949 or the Commodity Credit Corporation Charter Act, (ii) for financial assistance under the Consolidated Farm and Rural Development Act, (iii) for financial assistance under the Emergency Agricultural Credit Adjustment Act of 1978, (iv) for crop insurance under the Federal Crop Insurance Act, or (v) for financial assistance or other benefits for conservation purposes under the Soil Conservation and Domestic Allotment Act. The Secretary may, however, provide by regulation for exceptions to the provisions of the preceding sentence with respect to a producer to the extent the producer establishes to the satisfaction of the Secretary that the producer unintentionally or unknowingly exceeded the applicable percentage under clause (B) of such sentence.

(d) The Secretary shall issue such regulations as may be necessary to carry out the provisions of this section.

CONFORMING AMENDMENTS

SEC. 205. (a) Section 1101(4) of the Agriculture and Food Act of 1981 (7 U.S.C. 1308(4)) is amended by striking out "a set-aside or" and inserting in lieu thereof "an".

(b) Section 113 of the Agricultural Act of 1949 (7 U.S.C. 1445h) is amended by striking out "a set-aside or" each place it appears and inserting in lieu thereof "an".

(c) Section 1001 of the Food and Agriculture Act of 1977 (7 U.S.C. 1309) is repealed.

SCOPE OF APPLICATION

SEC. 206. The amendments made by this title shall not apply to the 1982 crop of wheat, feed grains, and upland cotton.

TITLE III—FARM STORAGE FACILITY LOAN PROGRAM

FARM STORAGE FACILITY LOAN PROGRAM

SEC. 301. The second sentence of section 4(h) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b(h)) is amended by inserting before the period the following: ": *And provided further,* That the Corporation shall guarantee loans made to grain growers by legally organized lending institutions for the construction or purchase of facilities for the storage of grain harvested by such growers,

except that not more than 90 per centum of the amount of principal and interest of any loan may be guaranteed and, in the aggregate, not more than $250,000,000 of principal and interest may be guaranteed in any fiscal year".

TITLE IV—BARTER OF AGRICULTURAL COMMODITIES FOR STRATEGIC AND CRITICAL MATERIALS AND PETROLEUM PRODUCTS

BARTER OF AGRICULTURAL COMMODITIES FOR STRATEGIC AND CRITICAL MATERIALS AND PETROLEUM PRODUCTS

SEC. 401. (a) Section 4(h) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b(h)) is amended—

(1) in the fourth sentence—

(A) by striking out "is authorized," and inserting in lieu thereof "shall, to the maximum extent practicable, in consultation with the Secretary of State, and", and

(B) by striking out "to",

(2) in the seventh sentence by striking out "Secretary of the Treasury" and inserting in lieu thereof "Administrator of General Services", and

(3) by inserting after the seventh sentence the following: "If the volume of petroleum products stored in the Strategic Petroleum Reserve is less than the level established under section 154 of the Energy Policy and Conservation Act (42 U.S.C. 6234), then the Corpora-

tion shall, to the maximum extent practicable, with the approval of the Secretary of Agriculture, and in consultation with the Secretary of Energy and the Secretary of State, accept petroleum products produced abroad in exchange for agricultural commodities acquired by the Corporation and shall transfer such petroleum products, without reimbursement, to the Secretary of Energy to be placed in such Reserve. Insofar as practicable, in effecting exchanges under the preceding sentence, normal commercial trade channels shall be utilized.".

REPORT

SEC. 402. Not later than ninety days after the date of the enactment of this Act, the Secretary of Agriculture shall submit to the Congress a report which contains a description of the status of programs being carried out under section 4(h) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b(h)) and other provisions of law with respect to the barter or exchange of commodities owned by the Commodity Credit Corporation for materials and products produced in foreign countries.

TITLE V—EMERGENCY AGRICULTURAL CREDIT

EMERGENCY AGRICULTURAL CREDIT

SEC. 501. (a) Section 202 of the Emergency Agricultural Credit Adjustment Act of 1978 (7 U.S.C. prec. 1961) is

amended by striking out "The Secretary of Agriculture may" and inserting in lieu thereof "The Secretary of Agriculture shall".

(b)(1) Section 207(b) of the Emergency Agricultural Credit Adjustment Act of 1978 (7 U.S.C. prec. 1961) is amended—

(A) by striking out "$400,000" and inserting in lieu thereof "$200,000", and

(B) by striking out "$650,000" each place it appears and inserting in lieu thereof "$450,000".

(2) The amendments made by paragraph (1) shall not be construed to affect any loan insured or guaranteed before the date of the enactment of this Act.

(c) Section 211 of the Emergency Agricultural Credit Adjustment Act of 1978 (7 U.S.C. prec. 1961) is amended by striking out "September 30, 1982" and inserting in lieu thereof "September 30, 1983".

TITLE VI—AGRICULTURAL EXPORTS

AGRICULTURAL EXPORT CREDIT REVOLVING FUND

SEC. 601. It is the sense of the Congress that for fiscal year 1983 not less than $1,000,000,000 should be made available to the Agricultural Export Credit Revolving Fund established under section 4(d) of the Food for Peace Act of 1966 (7 U.S.C. 1707a(d)).

GRAIN SALES TO UNION OF SOVIET SOCIALIST REPUBLICS

SEC. 602. It is the sense of the Congress that, as soon as practicable after the date of the enactment of this Act, the Secretary of Agriculture should take action to initiate negotiations with the Government of the Union of Soviet Socialist Republics to establish a multiyear agreement under which such Government would purchase grain produced in the United States.

TITLE VII—WHITE HOUSE CONFERENCE ON AGRICULTURE

WHITE HOUSE CONFERENCE ON AGRICULTURE

SEC. 701. (a) The President is requested to convene a White House Conference on Agriculture, not later than one year after the date of the enactment of this Act, to study current problems in the agricultural sector of the economy and to develop recommendations for legislation and administrative action regarding short-term and long-term solutions to such problems.

(b) The President is requested to appoint members of the White House Conference on Agriculture from among—

(1) heads of organizations comprised of producers of agricultural commodities,

(2) representatives of the banking industry,

(3) representatives of businesses which provide services, or produce goods, used by producers of agricultural commodities,

(4) heads of organizations representing the interests of consumers, and

(5) producers of agricultural commodities.

(c) The White House Conference on Agriculture shall submit a report to the President and to the Congress, not later than one year after the members of such Conference are first appointed, containing recommendations developed under subsection (a).

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

June 14, 1982

Honorable E (Kika) de la Garza
Chairman
Committee on Agriculture
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This letter is in response to your request concerning the estimated costs associated with the enactment of H.R. 6274, the Farm Crisis Act of 1982.

As you know, the Administration does not support the enactment of H.R. 6274. The reasons for this are stated in Secretary Block's statement of June 9, 1982 when he testified before your Committee. The statement also includes a summary of the bill's provisions.

As we have discussed, Mr. Chairman, H.R. 6274 is a very difficult bill to analyze because of the two-tiered acreage reduction program, the fact that several loan rates could be applicable in the same year, the difficulty in predicting the outcome of the referenda, and the need to anticipate prices, acreage, production, stocks and exports for three years into the future. Moreover, it is impossible to measure the effects that H.R. 6274 would have on the domestic livestock economy. The long-run impacts that H.R. 6274 would have upon agricultural production in other countries are of concern but cannot be measured. Increasing loan rates and continuous acreage reduction programs established in the bill would signal our competitors overseas that they could profitably expand production.

Recognizing all of these caveats, we attach our estimates of the costs that would be associated with the enactment of H.R. 6274. The estimates include: (1) a comparison of outlays between our March baseline (the most recent one) and H.R. 6274; (2) the changes in Commodity Credit Corporation (CCC) outlays resulting from H.R. 6274; and (3) the assumptions used in making the estimates. Our estimates indicate that CCC outlays would be larger in fiscal years 1983 and 1986, and lower in fiscal years 1984 and 1985. The total outlay savings are estimated to be $138 million through fiscal years 1983-86. The estimates do not include other costs that would be associated with H.R. 6274 such as the requirement to offer the economic emergency loan program.

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I realize that one other estimate of H.R. 6274 shows greater savings than ours. This is due to many factors, such as the use of a different baseline in making cost comparisons, different assumptions concerning the acceptance of referenda each year, and levels of participation in the various types of programs and loan rates offered. Accordingly, I have asked my staff to meet, at the earliest possible time, with your staff and answer any questions that you may have.

Mr. Chairman, we appreciate this opportunity to respond to your request and look forward to working with you in the future. While we may have different views on the merits of H.R. 6274, we share your concerns about low grain and cotton prices and the impact they have on our farmers and ranchers.

William G. Lesher

WILLIAM G. LESHER
Assistant Secretary
for Economics

cc:
Members of House Agriculture Committee

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COMPARISON OF OUTLAYS -- MARCH
BASELINE VERSUS H.R. 6274

(Million Dollars)

FY	82		83		84		85		86		Total	
	March	Bill	March	Bill	March	Bill	March	Bill	March	Bill	March	Bill
Wheat	1475	1475	863	1365	895	986	867	673	623	998	4723	5497
Feed Grains	4718	4718	2077	2024	2137	1387	1628	1470	1410	1968	11970	11567
Upland Cotton	963	963	79	75	117	-110	248	2	143	13	1550	943
Rice	179	179	110	116	120	163	123	147	77	102	609	707
Subtotal	7335	7335	3129	3580	3269	2426	2866	2292	2253	3081	18852	18714
Other	3125	3125	3607	3607	3062	3062	2265	2265	NA	NA	NA	NA
Total CCC	10460	10460	6736	7187	6331	5488	5131	4557	NA	NA	NA	NA

Changes in CCC Outlays Resulting
From H.R. 6274, Based on March Data

(Million Dollars)

FY	83	84	85	86	Total
Wheat	+502	+91	-194	+375	+774
Feed Grains	-53	-750	-158	+558	-403
Upland Cotton	-4	-227	-246	-130	-607
Rice	+6	+43	+24	+25	+98
Total	+451	-843	-574	+828	-138

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Assumptions in Analysis of
H.R. 6274, March Base

1. Referendum would pass for 1983 crop, fail for 1984 and 1985 crops.

2. Announced loan rates (before adjustment) would not be less than those of the previous year for corn and wheat. Announced loan rates for rice and cotton would be per formula.

3. Minimum target prices.

4. Participation in acreage limitation and additional diversion are as follows:

	83 Crop	84 Crop	85 Crop
Wheat:			
Ac. Reduct. (%)	15	15	15
Particip. (%)	61	52	45
Acres Reduced (mil.)	8.8	7.5	6.7
Add. Div. (%)	--	15	15
Partic (%)	--	15	15
Acres (mil.)	--	1.1	1.0
Corn:			
Ac. Reduct. (%)	15	15	15
Particip. (%)	56	53	51
Acres Reduced (mil.)	7.9	7.6	7.4
Add. Div. (%)	--	10	10
Partic (%)	--	15	15
Acres (mil.)	--	0.7	0.7
Upland Cotton:			
Ac. Reduct. (%)	15	15	--
Particip. (%)	75	40	--
Acres Reduced (mil.)	1.7	0.9	--
Add. Div. (%)	--	--	--
Partic (%)	--	--	--
Acres (mil.)	--	--	--
Rice			
Ac. Reduct. (%)	15	20	20
Particip. (%)	71	64	65
Acres Reduced (mil.)	.4	.6	.6

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TESTIMONY FOR MARVIN MEEK

AMERICAN AGRICULTURE MOVEMENT, INC.

NATIONAL CHAIRMAN

Mr. Chairman and Members of the Committee. We appriciate the opportunity to once again appear before your committee to discuss the problems in Agriculture. We are pleased with the prompt hearings on the Farm Crisis Act by the Full Agriculture Committee. We want to also thank all the sponsor's of this legislation for being concerned enough to try and improve prices and adjust the inadequate 1981 Farm Bill.

We hope improvement can be made in this legislation to bring it into line with the tremendous needs in the farm sector.

Farmers have historically disagreed with getting a direct payment from the government. A 5 percent paid diversion as indicated in the Farm Crisis Act is not sufficient to warrant participation in the set-aside. We feel very strongly that the incentives for participation in the diversion programs be centered around higher loan rates. We feel that the regular loan rate (9 months) should be set minimum at the USDA full cost of production level for each commodity. (which will be approximately 70 percent parity varying between commodities.)

USDA 1982 COST OF PRODUCTION

For instance; wheat	5.61
feed grain (corn)	3.39
upland cotton	1.10
soybeans	8.11

The reserve entry loan level should be indexed to the regular loan at 15 percent above that level. The 3-year reserve should have no interest charged to the producers with storage charges paid by CCC. The reasons for the additional incentive is to assure the world that an adequate inventory of food exists. The American farmer should not pay the cost of storing everyone's food inventory.

The set-aside requirements to provide a realistic supply management should not be political; but, set by a formula to protect the producer and consumer from surplus or shortages. We feel the set-aside percent should be indexed to the beginning stock inventory, published January 1 by USDA. Below you can see our recommendation as a possible solution.

Wheat -

If the beginning stock inventory is <u>below</u> 750 million bushels, there shall be no set-aside for that crop year.

850 million - 10%
950 million - 15%
1 billion - 20%

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Corn - 1 billion bushels - no set-aside.
1,250 million - 10%
1,500 million - 15%
1,650 million - 20%

Similar set-asides for all feed grains and cotton.

If the producer does not participate in the announced set-aside: they shall not be eligible for any government program.

We feel that a nationwide referendum will give the producers an opportunity to help determine agriculture policy in this country. At the present time, many non-farm forces dictate many of the aspects of our programs. Farmers themselves should be able to have direct input to make vital decisions pertaining to their livelihood. Manditory set-asides and higher loan rates, or all-out production and low price supports are questions that could be answered once and for all by producers themselves through a nationwide referendum. The nationwide referendum would prove to be a very valuable tool, not only by setting policy, but as a barometer during agriculture debate.

Much debate has centered around established and funding a revoling fund in the CCC to finance exports. We feel in certain situations, export credits and financing is necessary. Through the Pl 480, we have available assistance for economically deressed counties, as well as, for those suffering disasters. We feel the credit sales should be made to those countries with repayment ability and not used only as a tool to increase exports. Exports without a price hurts our economy and producers severely. While our exports have increased 1,200 percent, net farm income has fallen to record lows. The facts speak for themselves. The time has come for the U.S. to establish a National Agriculture Policy. We must stop exporting agriculture commodites below their cost of production. We have to establish a fair price for producers and consumers alike, so to guarantee adequate supplies at a reasonable price. With agriculture policy built around food exports, producers cannot continue to suffer the effects of using food as a foreign policy weapon. Embargoes, sanctions and trade restrictions, disrupt our markets, depress our prices and destroy any chance of supply demand working. Our production must be for sale at a price to whomever has the means to purchase it. During times of foreign policy decisions, the price should be increased instead of a cut-off of agriculture sales.

We feel that a complete review and restructuring of agriculture lending policies should be carried out. New and innovative lending

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policies should replace the antiquated policies that have existed since the creation of the Farmers Home Administration. The county boards that hold the destiny of farmers in their hands should be elected by referendum to serve on the boards.

The Economic Emergency Loan Program should be implemented immediately. We feel it unfortunate that Congress saw fit to continue and fund the program with the Secretary of Agriculture unwilling to carry out the intent of Congress. The $100,000.00 limit on operating loans is no longer adequate to service the needs of producers during the 1980's.

All of the above purposals will stablize and prevent further deterioration of the "family farm" agriculture in this country.

Now we will discuss a purposal that will bring economic health back to this nation through agriculture.

The American Agriculture Movement feels the following steps should be taken immediately to solve the problems in agriculture.

1. The regular loan rate should be increased to the full cost of production including land for all storable commodities and milk.
2. Within a reasonable time frame, this should be increased to a level of 90 percent parity.
3. By utilizing the loan program, the government outlays will be recoverable costs paid back, plus interest. The loan will be the incentive to participate in all set-aside programs (supply management) by producing what is needed in the market place, we can maintain an adequate reserve for the United States and world and avoid price depressing over-production.

The target payments, disaster programs, emergency loan programs can all be phased out, with huge savings to the Federal Government. All farmers need is a fair price in the market place.

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Statement of
South Texas Cotton and Grain Association, Inc.
Concerning The Farm Crisis Act of 1982
Submitted By
David Oefinger, Executive Director
To
U. S. House Agriculture Committee
May 25, 1982

Mr. Chairman, gentlemen of the Committee, my name is David Oefinger. I am Executive Director of South Texas Cotton and Grain Association with offices in Victoria, Texas. The organization is a certified producer organization which represents an approximate membership of 6,500 cotton and grain producers in a twenty-two county area of South Texas. A large portion of the association area of representation lies within close proximity or is bound by the Gulf of Mexico. This region of the State is most often referred to as the Coastal Bend and the Upper Coast of Texas. On behalf of our membership, I would like to express our sincere appreciation for being allowed to present our views.

Our area farm producers, like most agriculturalists, are suffering from the severe economic situation which is plaguing our industry. We are appreciative of the fact that Congress recognizes our dilemma and that it apparently is interested in helping to alleviate this situation. However, in regards to the Farm Crisis Act of 1982, we have many concerns which dictate that we must oppose this proposal.

In regards to the 1982 paid diversion section of the proposed legislation, this program would be entirely too late to be of any benefit to our area. The Committee may remember that on March 16 of this year, we presented testimony before this body regarding late farm program announcements by the U.S.D.A. Our area's pre-planting activity begins as early as November. Planting is generally complete by early March and harvesting of corn and grain sorghum will

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be in full process by July 4th, with cotton harvest beginning in late August or early September.

In our testimony of March 16, we stated that it would be of aid to our producers and would entice greater area participation in the current farm program, if the U.S.D.A. could in some way reimburse producers who were adversely affected by the late program announcement. We were suggesting, in this statement, that diversion payments be made to these producers. At that time, we would have supported a blanket diversion for all producers if that had been the direction of this Committee. Neither the Committee nor the U.S.D.A., however, chose to proceed with this suggestion until the Farm Crisis Act of 1982 was authored.

It has been some two months since our previous testimony has been presented. Our producers are firmly committed to their farm decisions for 1982. In fact, in many instances, the date of certification for farm program participation has already been passed in our area counties. Realistically, then, our farmers are effectively barred from participation in any paid diversion program as guidelined in the Farm Crisis Act of 1982.

Regarding the nationwide referendum, our organization agrees in principal with this idea. Relative to the specific guides under the proposed Act, however, we would have to oppose the procedure for such referendum. It is our opinion that any referendum should be commodity specific, rather than encompass the complete scope of agricultural production. In other words, each commodity group should be able to vote independently of each other as to how their specific commodity should be directed. Additionally, the number of needed votes for approval of the referendum should be raised from 55% to 2/3 vote or 67%.

In reference to the government guarantee of up to $250 million in loans for construction of on-farm storage facilities, we would also oppose this idea. One of the major problems being experienced in agriculture today is the gigantic

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surpluses of commodities which are effectively serving to depress market prices. These huge surpluses have been accumulated through government programs which encourage commodity storage and governmental policy such as the embargoes concept and suspension of market negotiations. Dictating that the government supply loan guarantees for on-farm storage would increase the federal budget and be yet another government program which would encourage maintenance of commodity surpluses.

In regards to the Economic Emergency Loan Program, our membership presently expresses no opinion.

Relative to the White House Conference on Agriculture, we would oppose this concept. It is our belief that sufficient data is presently available to analyze agriculture's problems. We feel that the Administration is aware of the economic situation now being experienced in agriculture as well as the overall national economic situation. Basing our feelings upon past experiences of such forums, we are fearful that such a conference will be financially costly and yield few, if any, solutions beyond those already being proposed.

Our organization would aggressively support several concepts as an alternative to the Farm Crisis Act of 1982. First, we would support the idea that the Agricultural Credit Revolving Fund receive an appropriation of at least one billion dollars. Additionally, the Secretary of Agriculture should be directed to survey and expedite bartering of U. S. Government-owned agricultural commodities for strategic materials. These two concepts are expressed in the Farm Crisis Act of 1982.

In addition, however, we would suggest that governmental policy be to encourage a stable and dependable export market for American produced agricultural commodities. Also, the Secretary of Agriculture should be instructed to divert more acres under the existing farm program guides and that he exercise his option to make land diversion payments available in 1983 to increase

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farm program participation. Lastly, we would ask that all farm program announcements be made prior to November 1 of the year previous to the year when they are to become effective.

On behalf of South Texas Cotton and Grain Association, I again express our sincere appreciation to the Committee for allowing us the opportunity to express our views. We respectfully ask that you oppose the Farm Crisis Act of 1982. Thank you.

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STATEMENT OF LYNN ELROD

ASSOCIATED MILK PRODUCER, INC.
SAN ANTONIO, TEXAS 78284

My name is Lynn Elrod. I live at 814 Serenade Drive, San Antonio, Texas. I am an Assistant to the General Manager of Associated Milk Producers, Incorporated. I was born and raised on a diversifed farm in central Oklahoma. I recall when I was 11 or 12 years old, plowing up knee-high cotton while my father was serving on the County and State Agricultural Adjustment Act Committees. We had a farm crisis on our hands in those days.

For more than four years after World War II I worked, unsuccessfully, I think, in the vocational training program to settle veterans on farms. The few veterans who were able to remain on farms in our county were, almost without exception, those with family capital to help get them established. It was a new era. Prior to World War II, young couples had been able to begin farming with very little capital, with reasonable chances for a successful lifetime career.

For 30 years now I have been involved directly in management of milk marketing cooperatives beginning in relatively small cooperatives that are now a part of either Mid-America Dairymen or Associated Milk Producers, Incorporated, milk marketing cooperatives that were built through consolidation of existing small associations that had quickly become as obsolete as the small diversified farms.

My work for the past 20 years has been directly related to the economics of milk production and marketing, but we have been well aware throughout these years that dairy is not an entity separate and apart from the remainder of agriculture.

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Since World War II we have seen the number of farms selling milk and cream dwindle from 3.5 million down to well below 300,000 today. From figures in the February edition of U.S.D.A. "Milk Production", it can readily be concluded that more than 95 percent of the U.S. commercial milk supply now originates on no more than 132,000 farms. We have witnessed a rapid transition to a highly commercial, highly specialized dairy industry. It is safe to assume that similar rapid adjustments have been occuring in most of the U.S. farm commodities. Today's agricultural product originates in high-cash-flow, low-margin, large-volume business operations. This is a new world, far more susceptible to disaster from nonexistent profit margins than were the subsistence farms of the 30's that required very small cash outlay.

My testimony today is intended to emphasize the urgent need for immediate recognition of the farm crisis and its basic cause. The cause of the crisis is excessive overall agricultural output. Emergency bandaids such as are provided by H.R. 6274 are imperative to preserve the life of the patient, but beyond that, extensive further treatment and rehabilitation will be necessary if American Agriculture is to perform the functions in our economy that are generally anticipated. I have a few suggestions on the perimeters of the further treatment and rehabilitation process. I would raise a question about one specific provision of H.R. 6274:

"If the crisis is indeed a result of too much total agricultural output, why should we

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permit haying and grazing upon the acres set aside?"

It must be recognized that all of animal agriculture is in trouble too, and the dairy crisis, at least, is a direct result of unneeded resources from other commodities spilling over into milk production.

In undergraduate agricultural economics courses, many years ago I had extensive exposure to professors who where firmly convinced that the depression of the 1930's was "farm led and farm bred". They believed that this country could not survive its experiment in democratic government through another depression of the depths experienced in the 30's. They provided a rationale that included many reasons why the individual farm operator-manager is unable to respond to commodity price changes in the way that classical economists believe they should. They were convinced that the individual farm operator is under such economic directives to maximize production that the ultimate end, in an unlimited production agricultural economy, is bankruptcy for individual farmers and agri-businesses associated with them.

For 40 years U.S. policy dealt with this perennial farm problem, which was the capacity of American agriculture to overproduce market demand and the tendency of rational decision-makers on the farms to perpetuate that problem. Various methods were found to isolate excess acres from market competition, for forty years, except during wartime. That reduction in agricultural productive capacity brought years of relative prosperity to the farms. The price stabilization

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programs maintained profits for efficient producers but could not sustain the inefficient or small operations that were not competive in commercial markets. Thus, we had a veritable revolution, over time, displacing people involuntarily from their farms and ways of life. For most of those years, off-farm opportunities were relatively plentiful. That is not the case today. The exodus will be resumed when the general economy recovers.

The artificially induced acreage reduction, along with excellent off-farm opportunities brought about a false sense of food security in the public view and even in the academic view. There is a general assumption that efficient U.S. agricultural production will continue at high rates regardless of commodity price levels. That assumption may be wrong, and it is dangerous.

The pursuit of rational agricultural policy to meet long-term public interest objectives came to be highly unpopular. Ridicule by the press about any system providing payments for "not producing" proved eventually to be the downfall of our government farm programs. Youngsters in the agricultural economic departments found it much more pleasant to deal with computer analysis and high level intellectual debate justifying free markets, free trade, unfettered agriculture and "laissez faire" as a desirable farm policy than to seriously examine our atomistic farm structure and its helplessness in a "free-market".

I have copies of an editorial written by William S. McNamee, publisher of Southwest Farm Press, in the April 29, 1982 issue entitled "Its Time To Admit We Were Wrong" which I would like to

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commend to you for thoughtful reading. Several of the ideas that he presents I have written from time to time over the years since 1973.

My writing on the subject was amplified in 1973 because of the alarm I felt over the policy decision to abandon our old farm programs and launch into the promising bright new world of fence-row-to-fence-row planting. It was a glorious day when world demand accelerated to the point that we no longer had farmers as leaches on the backs of the public, as was being portrayed by the press. It was an irresponsible and uninformed press that discredited the ongoing programs that were so successful, not only in terms of minimizing costs to consumers, but in conserving our soil resources. No one can argue that the system had not accomplished efficiency gains, nor that substantial gains had not passed through the market to consumers. But the best was not good enough. The most successful agricultural system known in the history of man was vulnerable to irresponsible claims that consumers and taxpayers were being "ripped off".

I think most farmers are in agreement that our fiscal policies as of January 1981 were leading us to ruin and that federal deficit spending simply had to be stopped. They understand that the agricultural program costs are part of that deficit and even though relatively small, must withstand tests of public necessity along with all other government expenditures. But at some point the mythology of free markets as a desirable goal for agriculture must be debunked. Whether agriculture can sustain its capacity to do what we expect it to do while the public stake in the future of agriculture is

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reestablished, remains to be seen. What is needed is in-depth and on-going inquiry, with respectability, if you please, into the public interest in the structure of agriculture, and then, meticulous development of agricultural policy consistent with those interests. This is a long term undertaking which should have held and should now hold highest priority in the agricultural economics departments of our land grant universities.

Not enough is known about the public interest in a healthy agriculture nor indeed about the present or future desirable structure of American agriculture. Our present policies demanding maximum production from each farm is inflicting permanent and inexcusable waste of our soil, energy and water resources. Agriculture is contributing little to tax revenues. Agri-business is at a standstill. These are all matters of public interest now and to future generations, but the impacts have not been quantified.

One characteristic of the farm problem is that even though farmers go out of business, farms seldom do. It is not known how long the critical farm economic situation can continue without seriously reducing agricultural output. Some economists say total farm output will remain high for years as land passes into hands of surviving larger farms. We do not know how this will work out in the high cash-cost world of today. It is dangerous not to know.

Concentration of agricultural production into larger and larger business units accompanies each wave of farm business failures. The public interest impact of that trend is not understood either.

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We don't know enough about what Fm.H.A. lending policies should be. It seems unacceptable to me that Fm.H.A. lending policies can determine what will be produced, where it will be produced, and who will produce it. On the other hand, it seems ridiculous that Fm.H.A. loan supervisors can continue to compete for scarce money supplies to sponsor new dairy operations, long after the milk price support program has encountered serious over-supply problems. The loan supervisors are choosing dairy loans because dairy offers the best current prospect of satisfactory repayment.

These are some of the answers that are critically needed. Farmer statesmen are challenged to create concensus-forming forums within their commodities and coordinating mechanisms to involve academia and agri-business and to involve all major commodity producers in formulating a rational farm and food policy with a sense of direction.

Until this is accomplished our farm policy will continue to be determined by politically placed individuals with no understanding of the requirements of an efficient food production and distribution system nor of its importance to the nation.

In the meantime, the emergency interim step now needed is an effective program of production restraint. To oppose "production restraints" is to expose gross ignorance of the desperate state of our farm economy, and its underlying cause. Providing meaningful incentives to insure adequate land retirement is imperative if a massive wave of farm bankruptcies is to be prevented.

Thank you for listening to my opinions.

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JC

Nebraska Grain Producers Association
AURORA, NEBRASKA

May 20, 1982

The Honorable Virginia Smith
2302 Rayburn Building
Washington, D.C. 20515

Dear Mrs. Smith:
I am in favor of the Farm Crisis Bill. I believe there should be a 10 % set paid set-aside. Also the loan rate on corn should be $ 3.00

I think the Secretary of Agriculture should be required to announce by Aug. 1 whether or not there would be a set-aside for wheat and by Nov. 1 whether or not there would be a set-aside for corn. This would encourage participation.

Sincerely,
Earl L Strong

Earl L. Strong, President
Nebraska Feed Grain Growers Association.

This may not be exactly what you wanted in the way of a prepared statement. We have not seen the bill in it's entirety so our organization has not been able to study it and make recommendations as an organization.

Earl

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Gurley,NE 69141

Congressman de la Garza
Chairman-House Ag Committee
U.S. House of Representatives
Washington,D.C. 20515

Dear Congressman de la Garza:

National W.I.F.E., (Women Involved in Farm Economics) wishes to voice its support in favor of the Farm Crisis Act. All of our local and state presidents have been contacted and all members feel that this legislation is a step in the right direction in helping to correct the depression in Agriculture.

President Reagan and Secretary Block maintain that when the economic recovery takes place, farmers will benefit and the 1981 Farm Bill and the 15% setaside are all that is necessary. W.I.F.F. firmly believes that a strong and lasting economic recovery will not take place until farmers receive a profitable price for their commodities. Agricultural commodities and other raw materials such as oil, minerals and timber are the only real wealth our society has and when these same agricultural products are consistently being sold for 50% of their value, no total economic balance can be achieved.

What good are exports that are sold at 50% of their worth? What good are more federal loans if the farmer has no hope of ever paying them back? What good is a morotorium on foreclosures this year, if these farmers will be no better able to meet their payments next year or the year after?

Farmers are overproducing because the price per unit of production is so low he must squeeze every possible bushel,etc., out of the land he farms in order to lower his cost of production and perhaps have a hope of breaking even. Put the proper mechanisms into place for a profit in agriculture and many other problems such as loss of topsoil, over use of underground water, and burdensome surpluses will take of themselves. Nationwide, agriculture lost $72 billion in 1981 because of the depressed prices. The taxes that would have been generated, if this $72 billion had been earnedd would have wiped out the $100 billion deficit everyone is so concerned about.

W.I.F.E. urges that your committee act favorably on this Farm Crisis Act with all speed and dispatch. Thank you.....

Sincerely,
Marjorie Boecker
Secretary of National WIFE
June Saylor
President of National WIFE

Copies to all members of the House Ag Committee:

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PREPARED STATEMENT OF PATRICK B. HEALY, NATIONAL MILK PRODUCERS FEDERATION

The National Milk Producers Federation is a farm commodity organization representing nearly all of the several hundred dairy marketing cooperatives serving their dairy farmer members and the nation's consumers. It is the only organization which exclusively represents dairy cooperatives and the dairy farmers who are members of them.

Mr. Chairman, you and your committee are to be commended for permitting this opportunity to be heard on the "Farm Crisis Act of 1982." Although dairying is not an integral part of this legislation the dairy industry is seriously affected by the conditions which have prompted the introduction of this legislation.

To state our position plainly and succinctly the National Milk Producers Federation has never favored a policy of "cheap feed." To some this may seem surprising. Feed constitutes nearly one half of the cost of producing milk. But it is our view that our agricultural economy is the healthiest when all segments are prospering. What we are finding at the present time is that an imbalance between feed prices and milk prices only exacerbates our current problems in the dairy industry.

There is no question that we are currently producing more milk than is needed for commercial demand. Last year's production, 132.6 billion lbs., resulted in 12.9 billion lbs. milk equivalent moving into CCC storage.

As general farm legislation was debated last year we recognized that some downward adjustment would need to be made in dairy price supports to more closely align production with the combined demands of the commercial marketplace and those government nutrition programs of which dairy products are an integral part.

We opposed the severe cuts which were being proposed and were joined in this opposition by a substantial number of members of this committee. Our fear was that a cut of such magnitude would demoralize the industry to the point that future production would be seriously jeopardized.

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This position on our part was based on two significant factors, which are relevant to the legislation you are now considering.

Foremost of these is the fact that under usual conditions farmers do not tend to gravitate into dairy farming if other types of farming appear as promising. The fact that dairy farming requires long hours and that milk must be "harvested" 365 days a year is well known enough so as not to require involved detailing here.

The second factor, related to the above, is that historically the Dairy Price Support Program has balanced out supplies, within a relatively short period of time, even when there were large government holdings of dairy stocks.

Because the inflated dollars involved add up more quickly than earlier ones did, the fact is often overlooked that there have been situations in the past when government purchases were an even greater portion of production than was true last year. In the 1953-54 marketing year government purchases were eleven percent of all marketed milk. Last year they were 9.5 percent. Government purchases for 1953-54 were 25 percent of all butter produced, 36 percent of the cheese and 53 percent of the nonfat dry milk.

During the 1961-62 marketing year government purchases of both butter and nonfat dry milk exceeded those of last year, although cheese purchases were less. In both the 1961-62 and the 1962-63 marketing years government purchases of nonfat dry milk exceeded one billion pounds; last year they were 787 million pounds.

Yet in each of these instances, as well as in other years in which there were substantial build-ups of government stocks the situation righted itself within a few years time. In short, the program had served its purpose. It had assured stability of income to the dairy farmer, stability of supply and price to the consumer and had, in the process, adjusted the milk supply.

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It was on this historical basis that the Federation presented its case for moderation in adjusting the price support program last year. We were fearful that too precipitous a drop would over-correct the current high production and find us faced with a dairy commodity shortage a few years hence.

Now, a year later, as we review the situation the above scenario is not developing. In spite of the reduction in dairy price supports and the likelihood of further cuts, milk production continues to increase. On top of last year's record production of 132.4 billion pounds, it is now projected that there will be a further increase in 1982 from two to three percent.

It is in recognition of these facts that the Federation is presently proposing a dairy production stabilization program, which has been introduced in the Congress and on which hearings are being held. This is designed to have the dairy industry assume a major portion of the cost of the Dairy Price Support Program while at the same time encouraging an adjustment in milk production to align it with domestic needs.

The current situation does, however, raise a salient question: If the Dairy Price Support Program has worked so effectively for thirty years why is it not responding in a similar way at this time?

The answer is obvious. <u>There simply are no major economic alternatives for dairy farmers at this time</u>. As mentioned earlier, farmers will tend to move out of dairying if other types of farming are promising. This is the concept on which the Dairy Price Support Program functions. At the present time one can find no incentive for dairy farmers to shift to other major commodities. This is undoubtedly the most important contributing factor in the difference of the effectiveness of the Dairy Price Support Program to adjust milk production in the past as contrasted with the present.

Nor is there incentive for dairy farmers to leave the farm. With the current nine percent unemployment rate most farmers probably conclude they are better off where they are.

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Net farm income clearly shows the plight of agriculture. Shown by USDA at $31 billion in 1979, it dropped to $21.9 billion in 1980, to $18.9 billion in 1981 and is now projected at only $14.5 billion in 1982. That's less than half of what it was three years ago.

A quick rundown of comparative prices for May of this year with those of a year ago for various farm commodities tells a sad story:

Commodity	May 1982	May 1981	Difference
Corn (bu.)	$ 2.56	$ 3.24	- $ .68
Cotton (lb.)	.536	.725	- .189
Potatoes (cwt.)	6.26	8.22	- 1.96
Rice (cwt.)	8.58	13.30	- 4.72
Grain sorghum (cwt.)	6.31	7.40	- 1.09
Wheat (bu.)	3.61	3.95	- .34
Cows (cwt.)	41.70	42.50	+ .80

While we are hopeful that the recent increases in beef prices will encourage dairy herd culling we are apprehensive that low feed prices will only tend to encourage replacement by younger (and possibly more productive) heifers.

The depressed condition in the rest of agriculture has a second cutting edge which impacts on dairying. It provides cheap feed for his dairy operations. It is significant from our standpoint that the above table shows corn down 21 percent, grain sorghum 17 percent, and soybeans 15 percent from a year ago.

To correct the present dairy supply situation the industry has two alternatives. It can see dairying gravitate downward economically so that it is on a par with the depressed condition of the rest of agriculture. Or it can strive to bring other commodites back in balance with dairying as it now exists. As a Federation we far prefer the latter course. We are anxious to see other segments of the agricultural economy recover. As indicated earlier in this testimony the National Milk Producers Federation has a long-standing policy of opposing cheap feed. The imbalance which is then created is the root cause of the situation which exists in dairying today. All of us will be better off when it is corrected.

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PLAINS COTTON GROWERS INC.
515 E. 44th Street P.O. Box 3640 Lubbock, Texas 79452 806/762-0553

June 4, 1982

Hon. Kika de la Garza, Chairman
House Committee on Agriculture
1434 Longworth House Office Building
Washington DC 20515

Dear Chairman de la Garza:

Enclosed is a copy of our statement on the Farm Crisis Act now under consideration by the House Committee on Agriculture. Although some of the provisions contained in the Farm Crisis Act and the policies adopted by our Board of Directors are not in precise harmony, you may be assured of our full support for your efforts to alleviate the critical situation faced by our members and all of agriculture.

In addition to the measures now under consideration by the Committee, there are other tools available under current legislation which we feel could be more vigorously pursued by the Administration. Full utilization of all the credit facilities and export market development tools now authorized including funding of the export credit revolving fund could assist in relieving the market of current burdensome supplies.

We know you are fully aware of the critical situation facing agriculture and this great nation. If we can be of assistance to you in any way in your efforts to deal with the problem, please do not hesitate to call on us.

Sincerely,

Donald A. Johnson
Executive Vice President

DAJ/jms
Encl.

JUN 8 1982

SUPPORTER OF COTTON INCORPORATED

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STATEMENT OF PLAINS COTTON GROWERS, INC.
BEFORE THE
HOUSE AGRICULTURE COMMITTEE
filed June 4, 1982

Plains Cotton Growers, Inc., an organization of cotton growers producing an average of over two million bales annually from acreage in 25 Texas High Plains counties, expresses its strong feeling of gratitude toward the co-sponsors who have introduced the Farm Crisis Act of 1982, including Committee Chairman Kika de la Garza of Texas and the congressmen from our own part of the state, Charles Stenholm, Kent Hance and Jack Hightower.

Their efforts to secure changes in the Food and Agriculture Act of 1981 indicates their true understanding of the dire situation that exists in our industry and their sincere desire to do something about it, both of which are greatly appreciated. We want these people to know beyond all doubt that they and this committee have our full support.

The Farm Crisis Act has the potential to provide at least a measure of relief to the farmers of our area and the nation who find themselves in deep financial trouble, and we commend the committee for giving it due consideration.

PCG has not taken a position on the provisions of this specific bill. There are two reasons for this. First, the committee we feel is almost certain to make changes in the bill's provisions before it comes before the full House. Therefore any stand taken at this time for or against the bill as it is now written could very quickly become obsolete.

Second, some of the bill's provisions, although intended to achieve the same objectives, do not precisely conform to existing PCG legislative policy.

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Therefore the officers of our organization feel our most prudent course is to remind committee members of the specifics of our policy; ask that they consider incorporating our policy into the final product of the committee's efforts; follow the bill closely, and be prepared to give it our support at the most opportune time.

Program details in PCG's legislative policy which we believe have merit and if at all possible we would like to see made a part of the Farm Crisis Act include:

1. A loan price at a minimum of 65 percent of parity;

2. Continued authority for the Secretary of Agriculture to restrict the planting of specific crops and to offer paid acreage diversion when cotton is in excess supply;

3. Elimination of payment limitations;

4. Target prices figured on a cost-per-acre basis as opposed to the present cost-per-pound calculation, and

5. Reinstatement of the disaster section of the 1973 Farm Act.

Again we emphasize our great appreciation for our Texas congressmen, other sponsors of the Farm Crisis Act and members of this committee for their efforts to alleviate the economic ills that beset our industry and its people.

Also, although it does not constitute official PCG Board policy, there was agreement in our officers' meeting that the interests of cotton producers would be better served if the referendum called for by the Farm Crisis Act were conducted by commodity. Otherwise, the undesirable effect would be to have grain producers controlling cotton-related program decisions.

We appreciate the opportunity to be heard with regard to these efforts and strongly urge that they be continued and expedited whenever possible.

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NRECA NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION
1800 Massachusetts Avenue, N.W.
Washington, D.C. 20036/202-857-9500

[redacted] THE RECORD

May 24, 1982

Rep. E. (Kika) de la Garza
Chairman, House Agriculture Committee
1301 Longworth House Office Building
Washington, D. C. 20515

Dear Mr. Chairman:

I am enclosing a booklet prepared for the recent NRECA Legislative Conference which I hope you will include in the record of the May 25 Farm Crisis Hearing. The brochure deals with the severe economic condition afflicting rural America.

I know that you are very much aware of the tremendous increases in farm foreclosures, rural bankruptcies and small business failures which currently are scarring the face of rural America. I am sure that your constituents, as well as those of every other member of the Agriculture Committee, are furnishing you with the frightening details of the ways in which the crisis is manifesting itself in each region of the country.

Rural electric cooperative consumer-members are feeling the severe pinch more and more as electric bills become harder to pay for people on the verge of farm and business failure, for people who have lost their jobs, and for people who have been cut off from assistance programs.

I certainly must agree with the perception of some of your Committee members that the situation in rural America has reached "crisis" proportions, demanding a review of our farm and credit programs in order to relieve some of the economic pressure.

Thank you.

Sincerely,

Robert D. Partridge
Executive Vice President

RDP:nb

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DELTA Council
THE ORGANIZATION OF THE YAZOO-MISSISSIPPI DELTA
PROMOTING AND DEVELOPING THE ECONOMY AND SOCIETY OF ITS AREA
STONEVILLE, MISSISSIPPI 38776

May 25, 1982

TO: House Committee on Agriculture

Mr. Chairman and Members of the Committee:

We wish to express appreciation to members of the Committee for the recognition that is being given to the fact that the agricultural sector of our Nation is in the worst trouble since the great depression. Farmers face low market prices for all commodities, debt carryovers are at record levels and the accumulative impact of inflation and high interest rates are reflected in high costs for all goods and services necessary for crop production. Emergency actions are certainly needed; however, it is of great importance that such actions contribute to problem solutions and that no actions be taken in haste that will make our problems more difficult to solve.

First of all, while compromises had to be made because of budget limitations, we believe that the programs for cotton, rice, soybeans, wheat and feed grains developed by this committee and incorporated in the Agricultural Act of 1981 are constructive programs and represent the best that could be obtained under prevailing economic conditions. Any supplemental actions that are authorized should complement this basic four-year farm program.

In trying to find answers to the immediate problem of low farm income, recognition must be given to the factors that have caused such a drastic downswing in commodity prices and such steep increases in the cost of input items.

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Basically, current commodity markets are reacting to surpluses which are the direct result of high yields in 1981. To put it bluntly, we produced more than the market could handle in an orderly manner and surpluses always act as market depressants. Also, inflation and high interest rates, caused by the fiscal policies of the U.S. government, have forced the prices that farmers must pay for inputs to astronomical levels. With such high production costs, profit potentials, even under the best of conditions, would be very narrow and any sharp downswing in the market would force farmers into a loss position. High interest rates also prevent our customers from carrying normal stocks and this forces farmers to carry big inventories.

How then can we go about solving this problem? We certainly cannot expect to provide any acceptable solutions by merely legislating higher prices. Such action would quickly be reflected in increased production in many foreign producing countries as our artificially legislated price levels would provide an umbrella under which foreign producers could operate. Actually, foreign producers would benefit more from such action than U.S. farmers and we would have the added problem of trying to cope in the years ahead with the higher levels of foreign production for cotton, soybeans, wheat and other major exportable commodities. For cotton, we also have the problem of competing with man-made fibers.

What then should be done? Fortunately, Congress has already provided broad authorities that can and should be used to help alleviate our problem. These authorities should certainly be implemented to the fullest extent possible. First, however, Congress must face the fact that the twin evils of inflation and high interest rates must be dealt with effectively before any meaningful turn-around can take place in American agriculture, business and industry. This will not be accomplished until budget deficits are brought under control.

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The Secretary of Agriculture has already responded to the problem of overproduction by invoking provisions of the Agricultural Act of 1981 to reduce plantings of cotton, rice, wheat and feed grains on a voluntary basis for the 1982 crop. Farmer response appears to be good and we commend this action as a first step toward helping to solve this problem. We urge, however, that such programs be continued until supplies are more nearly in balance with demand and we also urge the utilization of land diversion payments, in addition to voluntary planting reductions, as a positive step toward the achievement of needed supply-demand balance. Our objective should be to make this adjustment as rapidly as possible. The Secretary already has authority to make land diversion payments; however, it is too late in the crop year for this provision of the law to accomplish desired results in 1982. We believe, however, that it offers great promise as one of the tools that can be used to supplement the voluntary acreage reduction program for the 1983 production season.

A high level of agricultural exports is essential to maintaining market prices at realistic and effective levels. The value of agricultural exports in 1981 exceeded $43 billion. We are exporting more than 50 percent of our cotton, 54 percent of our soybeans, 61 percent of our rice and 58 percent of our wheat. High exports contribute to strong commodity prices which permit farmers to obtain their income from the market. We urge the more aggressive use of the tools provided by Congress to further expand foreign trade for U.S. farm products. We specifically refer to the expanded and more effective use of CCC credits, both short, medium and long-term; to the full use of Public Law 480 and to Export-Import Bank loans.

Also, we commend the Congress for approval of the Revolving Export Credit Program authorized in the Agricultural Act of 1981 and we urge that this program be adequately capitalized and implemented.

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With regard to the proposal for a Nation-wide referendum that would be held in July at which time farmers would vote on the proposition of setting aside 15 percent of their cropland for conservation purposes, we believe that any proposal for a referendum should be on a commodity-by-commodity basis. We do not believe that the actions of wheat farmers in the Midwest should determine the land use patterns of cotton farmers or rice farmers in the Lower Mississippi Valley, as would be the case under the provisions of the proposed Nation-wide referendum.

We agree that there is a need for more farm storage to handle carryovers of grain and soybeans and we wish to point out that the lack of adequate farm storage will limit the effectiveness of the Commodity Credit Corporation loan program as an orderly marketing tool. We believe that there is a need for re-establishing a Nation-wide farm storage facility loan policy and that funds at reasonable interest rates should be made available to assist in providing needed on-farm storage facilities.

Also, we have urged the Secretary of Agriculture to implement the economic emergency loan program by using the $600 million appropriation provided by Congress. The Secretary already has the authority to utilize these funds and certainly we would encourage this Committee to urge the Secretary to implement this program to the fullest extent possible.

We also would support any action by this Committee to provide a forum for in-depth and long-range examination of agriculture's problems, solutions and future potentials.

Except for the appropriation of funds to implement the Export Revolving Fund, fortunately, other proposed actions are already authorized and can be

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accomplished administratively without the risk of crippling amendments that would most likely be proposed by members of the House who have little understanding of agricultural problems. What we now need is the clear recognition of the urgency of our agricultural problems and the effective and aggressive use of the programs and authorities that have already been provided.

We wish to again express appreciation to the Committee for the recognition that is being given to the problems of agriculture and we believe that the Committee support of programs to reduce production in 1983, if necessary, and to expand exports represent the most constructive steps that can be taken at this time.

Respectfully submitted,

B. F. Smith
Executive Vice President

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American Cotton Shippers Association

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May 24, 1982

Hon. E. (Kika) de la Garza, M.C.
Chairman
Committee on Agriculture
1301 Longworth HOB
Washington, D.C. 20515

Dear Chairman de la Garza:

The current income situation is most serious at the farm level and in most other segments of the U.S. economy. For cotton, a record 15.6 million bale crop and a weakened domestic demand has muted the relative strength of our export market, holding current prices at levels below the target price. These problems, however, cannot be resolved through the farm crisis legislation, now being considered by the Committee on Agriculture.

The 1981 Farm Bill provides limited, but adequate protection through the price support loan and target price provisions. The base minimum loan was raised 14½% from 48 to 55 cents per pound. The target price was raised to the 71 cent level, after increasing from 58.4 cents in 1980 and 70.87 cents in 1981.

For 1982 producers can look to a base loan rate of 57.08 cents and a target price of 71 cents which will result in a deficiency payment of 11 to 14 cents. These program benefits should allow producers to get through the year.

The upcoming market scenario holds promise for cotton as world consumption is expected to increase and production to decrease, providing a strong year for U.S. exports. The expected recovery in the U.S. economy will boost domestic consumption, as U.S. textile mills have little or no inventories of cotton.

Much thought, preparation and compromise, among all segments of the industry produced the cotton section of the 1981 Act. The industry continues to support this legislation and feels that it is inadvisable for Congress to abandon the 1981 Act only five months after the completion of a full year's consideration.

The Farm Crisis Act is too restrictive, limiting the production options that farmers have preferred this past decade. A return to the past programs of high loans and reduced acreage could eliminate cotton as a staple commodity for U.S. farmers, as exports will drop from the 6 to 8 million bale range to the 3 to 5 million bale range experienced in the era of high price support loans

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in the 1950's and 1960's. Domestic consumption has dropped since that time from an annual consumption level of 9 million bales to recent average levels of 5.5 to 6.2 million bales. Current plantings of 12 to 13 million acres will have to drop to a maximum range of 9 to 10 million acres.

Having lost a major portion of the domestic market to synthetic competition and foreign imports over the past three decades, the U.S. cotton industry is not willing to forfeit it's export markets to foreign competitors through a hastily conceived legislative fiat. The only way to maintain our foreign markets under such a system would be through export subsidies, and we are not willing to subject our domestic customers to the further competitive disadvantage of a two-price system.

The price support loan for U.S. farmers is also the minimum price for 50 other competing countries. As we learned in the no-too-recent past, the remedy, suggested in the Farm Crisis Act, of cutting back on acreage and increasing the loan soon leads to stock building, reserves and a loss of export markets. The loss of these markets will kill the patient as cotton will no longer be a viable production alternative in many areas of the belt without massive amounts of federal support.

The Association urges the Committee to defer action on this legislation as it is not in the best interest of the cotton industry.

We respectfully request that these views be included in the hearing record on H.R. 6274.

Sincerely,

Samuel T. Reeves

Samuel T. Reeves
President

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Statement of the National Cotton Council
for the Record of the Hearing on
The Farm Crisis Act of 1982
before the House Committee on Agriculture
May 25, 1982

The National Cotton Council is the central organization of the U.S. cotton industry, representing growers, ginners, warehousemen, seed crushers, merchants, cooperatives, and textile manufacturers from the Carolinas to California.

We commend the authors of the Farm Crisis bill and this committee for their concern over the abysmally low level of farm income. There can be no argument that many farmers have had losses on their operations for two successive years, and some more than that. Nor is there any debate over the fact that the profits made by more fortunate farmers were greatly reduced from earlier levels.

We recognize the pressure that the committee is under, particularly in an election year, to do something to alleviate the problem in the farm economy. At the same time, we recognize that there are few problems in agriculture today that a better price will not solve. In our judgment and based on experiences with past legislation, an arbitrary increase in the support price with no tie to the market price is not the way to achieve long-term better prices for farmers.

The most effective means of solving the problem is to get the nation's economic house in order. So long as interest rates remain high and deficits large, there is little real hope for a turn-around in agriculture. The American farmer is whip-sawed by interest rates on two

sides. First, they are contributing significantly to his ever-increasing cost problem. Second, the high interest rates do not allow his customer (the textile mills in cotton's case) to build any inventories of either fiber or finished goods. Nor can he afford to make the capital investment needed to boost efficiency and improve his competitive position in the world market. There can be no argument that this situation, coupled with a crop last year of such volume, is causing the poor economic condition that exists in cotton today.

Therefore, we believe it to be unwise for the committee to subject agriculture to a possible blood-letting on the House floor on a piece of legislation that does not provide the answer to the fundamental problems of agriculture.

We can envision a heated debate on and possible loss of some of the very real benefits that are provided by the 1981 Act for farmers. For example, the committee will recall the very strenuous debates and close votes that occurred on the target price mechanism when the 1981 Act was debated. Furthermore, efforts to place a limitation on the CCC loan provision which occurred in 1981 could resurface this year.

It would be an absolute tragedy to have these benefits taken away from farmers at the same time the committee was endeavoring to do something helpful. The tragedy would be compounded if the endeavor did not come to grips with the fundamental problems cited earlier that face agriculture.

The Council, therefore, recommends to the committee that you use your energy and influence to see to it that the tools available under the 1981 Act are fully utilized to better farmers' economic situation. We further urge the committee to cite the plight of agriculture, at every opportunity, as an example of why the Congress and the Administration must take action to secure passage of a Federal budget that will restore confidence to the financial markets, lower interest rates, and once again allow agriculture to prosper. In our judgment, prosperity cannot be legislated through passage of the Farm Crisis Bill or any other measure until this fundamental step is taken.

In the meantime, we believe that almost everything proposed in the Farm Crisis bill is already administratively available under current law. The paid diversion that the bill mandates for 1982 crops could be implemented. But as a practical matter, planting is virtually complete and little participation could be expected. We understand that USDA is considering the possibility of paid diversion for the 1983 cotton crop.

Acreage reduction authority, crop-by-crop, is already in place, and is being used on all the program crops in 1982. At the time of the late June referendum proposed by the Farm Crisis bill on 1983 acreage reduction, farmers will not know the size of 1982 spring-planted crops -- a vital factor in the decision they will be required to vote on. An additional problem is that 1983 loan levels are required to be announced in advance of the referendum. Yet according to current law, data through mid-October are used in cotton loan determination.

The Farm Crisis bill expressed the sense of Congress that a billion dollars be made available for the export credit revolving fund authorized by the 1981 farm act. We applaud the idea of making money available for the revolving fund, but an appropriation is required to do the job. The "sense of Congress" resolution will not accomplish this.

The bill mandates a 10% increase in cotton loan rates with referendum approval of an acreage reduction program, or -- in absence of approval -- if the beginning carryover of the previous crop year exceeds 4.2 million bales. In one circumstance a 20% loan increase is offered. The present law loan formula has the overwhelming support of cotton producers and other industry segments. It was developed by the industry and re-affirmed at the most recent annual meeting of the Council. In light of this action, and because we have seen high loan rates induce foreign plantings and cause market losses to synthetic fibers and foreign production in the past, we cannot support the loan provisions of the Farm Crisis bill.

Finally, the Farm Crisis bill referendum is not segmented by crop. Cotton farmer votes would be overwhelmed in such a referendum because they comprise only about 3% of those who would be eligible to vote. A program could be forced on cotton farmers which they neither want nor need because the penalty for non-compliance is so great.

In summary, the Farm Crisis bill does express concern for the plight of farmers, but (1) it does not resolve the fundamental problem facing American agriculture, (2) it would open up the very real possibility of amendments that would damage farm income, (3) most of its provisions are already available under current law, and (4) it contains some features that are undesirable for cotton.

We urge the Committee not to report the Farm Crisis bill for floor consideration.

PREPARED STATEMENT OF RUSTY VOLK FOR NATIONAL FARMERS UNION CONCERNING THE STATE OF THE FARM ECONOMY IN RURAL NORTH DAKOTA

My name is Rusty Volk. I am 29 years old, married, and have one child. I am farming with my dad on a farm located approximately 65 miles southwest of Bismarck, North Dakota. We have 1280 acres and operate a dairy farm, milking 90 cows year round. I was born and raised on a farm and I have been managing dairy cows for five years. I am also a member of the board of directors for the Flasher Farmers Union Oil Co. Flasher, North Dakota. The testimony I am giving is as true as I can make it. The figures I will use are taken from my tax returns of the year ending Dec., 1981. Also, I have interviewed neighboring farmers and business places in Flasher, North Dakota, for this testimony.

The state of the farm economy as you well know is not in good shape. Farm income is down and farmers are hurting from it. The farmers have no money and the towns and businesses suffer and eventually the community will die. I said farm income is down. This is the status of our dairy farm. Dad bought the farm from his dad 35 years ago and someday I want to buy it from my dad. At the present time I cannot do that because I cannot see how I can afford it. With interest rates so high and the markets as low as they are, I cannot see a light at the end of the tunnel.

Our farm income comes souly from the sale of milk and from the sale of cull cows and raised calves. In 1981 we milked 90 cows and our income is based on this. We

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generally would milk more cows, however, with the past couple of bad years we did not have the feed to do so and cosequently our cows numbers are down. Below you will find an expense and income sheet for our dairy farm.

Our average milk price was $12.80/100wt.. We pay .80/100wt. for trucking so for ease in figuring I will use a $12,00 base pay.

INCOME

MILK COWS	14,000 lb./yr. @ $12,00/100wt.	$1680./hd./yr.
	90 milk cows	$151,200.00/yr.
CULL COWS & CALVES		$23,387.00
TOTAL INCOME		$174,587.00/yr.

EXPENSES

LAND--------1280 acres @ $250.00/acre----------		$320,000.00
BUILDINGS----------		
Milk barn, equipment, & free stall barn--	$80,000.00	
Two upright silos----------	$45,000.00	
Two Quonsets (one grain)----------	$20,000.00	
Other buldings----------	$10,000.00	
TOTAL BULDINGS		$155,000.00
MACHINERY		$136,000.00
CATTLE -------90 cows @ $1000.00/hd.----------		$90,000.00
TOTAL INVESTMENT		$701,000.00
Interest @ 15% ----------		$105,150.00
Depreciation on machinery @ 10%----------		$13,600.00
TOTAL FIXED EXPENSES		$118,750.00

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GASOLINE AND FUEL

Regular gas -----	4838 gal. @ $1.30/gal.	----$6289.00
Diesel ---------	3200 gal @ $1.20/gal.	-----$3840.00
Oil ------------	125 gal @ $4.00/gal.	-----$500.00

TOTAL FUEL	$10,629.00

OPERATING EXPENSES

Repair----------	$6017.00
Feed ------------	$40,773.00
Seed ------------	$586.00
Supplies----------	$5033.00
Vet & Drugs --------	$2371.00
Land Tax ----------	$991.00
Insurance ----------	$2018.00
Utilities ----------	$4828.00
Breeding Fees ------	$886.00
Fertilizer ---------	$3018.00

TOTAL OPERATING EXPENSES	$66,521.00
TOTAL EXPENSES	$195,900.00
TOTAL INCOME	$174,587.00
NET LOSS	-$21,313.00

As you can see we didn't make any money last year, we lost $21,313.00. I didn't include any labor, personal expenses, health insurance, home repairs, heating fuel, food or housing. This income has to provide for two families, so at least we can share the loss. Can you see why I cannot buy my dad's farm?

Our farm income is so dependent on our price. If

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we would get $13.00/100wt. of milk our income would change to $187,187.00. If we could get $14.00/100wt. of milk our income would change to $199,787.00. Dad would get half and I would get $1,943.50 to buy food and clothing without going to the bank and borrowing it.

Here is another example of no farm income from the beef industry. Delvin and Anne LaDuke operate a 180 cow ranch. They bought 2240 acres from his dad and rent an additional 160 acres. Of the 2400 acres, 240 acres are tillable, so it is practically all pasture land. They obtained a loan from F.H.A. at 8.5% interest and bought the land for $100.00/acre. Last years Agrifax records show an income of $47,584.00 and an expense sheet of $44,085.00. Add depreciation of $17,126.00 and you have a total expense of $61,211.00. The LaDuke Ranch showed a loss of $13,627.00. The average price they received for their calves was $61.76/100lbs. This was for steers and heifers. They sold 148 head at 444 lbs. average. This brought $40,583.00. In 1980, the price averaged $77.08/100 lbs. Using this price , their income would have been $50,651.00; a gain of $10,068.00. So you can see the gain if prices were somewhat reasonable.

These two examples are very typical of the farm economy of this area. There are many young farmers trying to make ends meet. Most of them have bought their dad's farm at a low cost/acre. The interest on their farm loans is not hurting them half as much as the interest on their

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operating loans. If we could get the cost of production for our commodities we wouldn't need operating loans or at least as large as we now have. If we would get our cost of production we could at least continue farming. As it is, we have a very difficult time just finding a lender to borrow us the operating loans. With a continued loss of income we lose our repay ability for our loans. Without repay ability we can get no loans.

How will this help the neighboring communities? At the present time the small towns and the businesses theirin are in desperate shape. I am on the board of directors of the Flasher Farmers Union Oil Co. The Oil Co. also owns the Flasher Lumber Dept. In our last audit report we found unit sales for the Oil Co. down in almost every category. Fertilizer sales showed the largest decrease of 171 tons. Gasoline, lube products, L.P. gas, antifreeze, tires & tubes, all showed unit sales down. Our customers are not buying as they use to. Our Accts. Receivible, at the Oil Co. , are even worse than we expected. Our average monthly balance shows acct. receivible at $118,321.00 as compared to $66,957.00 in 1980.

Over at the lumber dept. sales are down in every category except bins & buildings and miscellaneous items. Accts. receivible are also up at $32,354.00 compared to $24,479.00 as an average monthly ballance of accts. receivible for 1980.

As a combined business you can see how unit sales are down and accts. receivible are way too high. The first two months of 1982 were the worst months that I have seen as a

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board member. At the lumber dept. in Jan.we lost $1797.00. In Feb. we lost $1954.00. I talked to our manager the other day and the month of March doesn't look any better. At the Oil Co. we had to lay off two employees last year. We are considering laying off one more employee if things don't turn around. Our service to our customers is lagging and our employees are over worked.

Our local Co-op is hurting, however, we're not the only ones in trouble. The cafe in Flasher last year averaged from $17,000.00 to $20,000.00 a month. The first two months of 1982 show sales at $12,000.00 a month. The cafe in Flasher is a vital part of the community. It draws people to town to do business and it is the only cafe in town. This trend of low sales and low income seems to be haunting every business in our community. It apears to me that if the farmers could make a little money everything would even out. The businesses in town depend on the farmers support. If we as farmers cannot make any money neither can the business places in town.

To sum this all up I would have to say that as farmers we cannot settle for prices or markets below our cost of production. We will go out of business very soon if this economic situation continues and if we go out of business so will the businesses in the neighboring small towns. If this does happen it will start a snowball that will be very hard to stop. As farmers we have to DEMAND THAT WE RECIEVE OUR COST OF PROCUCTION. I love this farm and I love the lifestyle that goes with it. I don't mind working seven days a week, nor sixteen hours a day. I don't mind working in the rain nor do I mind the snow. I love to work. All I ask is that I get

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paid for the expenses that come with the job.

Let me leave you with this thought. In our community we have farmers going out of business every week. This weekend there are four farm auctions in the local area. What will happen if this trend continues? How can we protect our familly farms from turning over to corperate farms? How can we save rural America from distruction?

Rusty Volk

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PREPARED STATEMENT OF LUELLA STEVENS, NEBRASKA

Good Morning. My name is Luella Stevens. I am a farmer-a working pardner of my husband. My concern today is the "Farm Crisis Act of 1982", a bill to bring relief to the family farmers of America.

The nations agriculture industry is hovering on the brink of total collapse-agribusiness, small towns, small businesses, distributors, and related businesses will go down with it. Approximately 35 million people directly or indirectly involved in agriculture will be without jobs--without any way of earning a living for themselves and their dependants. This will affect the entire nations' economy as never before in the last half century. It is that serious. It's not just the young farmer who is going bankrupt now, it is also the established producer who is living on land that has been in the family many generations; knowledgeable men, businessmen of the highest calibre, who can no longer borrow on their shrinking equity to produce at a loss, for the few greedy monopolys who are profiting on the farmers loss and the needs of the poor. Some protection must be established to insure the production and flow of raw materials to the food chain of our country. Every other nation in the world has provided some measure of protection for their agriculture sector to insure availability of food and fiber, except our own beloved country, the United States of America.

This "Crisis Farm Bill" may be one small step forward to obtain a life preserver, of sorts, to help a few producers stay afloat. The need is now, not a year from now, and most certainly something must be done to maintain some sort of stability for our producers, who encounter higher costs and interest rates every month. Consider the disaster if, instead of crops, weeds grow in our fields and we (the producer) are unable finiancially to plant and produce food in another year, or the land is repossessed by money lenders and corporations, who look only to a profit, who lack the knowledge of production and harvesting, and care nothing about preserving the land for future generations.

Most of all, we need a MARKET-new outlets, more research and utilization or our raw products, which will in turn create new jobs. We need interest rates lowered to create more initiative and earning power.

We need a revolving fund, established and maintained for farm loans and grain loans, supervised and maintained as a special fund, constant and available for C.C.C. loans, A.S.C. and A.S.C.S. loans, repayable at reasonable rates of interest. I stress, this must remain a revolving fund-totally seperate from other monies when repaid, not commingled with other funds of the general treasury.

I speak as a farmers wife, as a member of Nebraska W.I.F.E., as a church woman, as a mother and grandmother. I fear for the food of the future if congress neglects the needs of today. Thank you for your attention.

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FARM CRISIS ACT OF 1982

WEDNESDAY, JUNE 9, 1982

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., in room 1301, Longworth House Office Building, Hon. E de la Garza (chairman of the committee) presiding.

Present: Representatives Jones of Tennessee, Weaver, Harkin, Bedell, English, Huckaby, Glickman, Whitley, Daschle, Stenholm, Volkmer, Dorgan, Albosta, Wampler, Hagedorn, Coleman, Marlenee, Hopkins, Hansen, Stangeland, Roberts of Kansas, Emerson, Napier, Skeen, Roberts of South Dakota, Gunderson, and Evans.

Staff present: Robert M. Bor, chief counsel; Robert T. Lowerre, associate counsel; John E. Hogan, minority counsel; Peggy L. Pecore, clerk; Stephen T. Adams, Bernard Brenner, Gerald R. Jorgensen, Steven McCoy, and Eugene Moos.

The CHAIRMAN. The committee will be in order.

We have a subcommittee meeting next door dealing with the problems of the dairy industry that has taken some of the members away from us for part of the morning.

The House is convening at 10 a.m., so we may have to leave for a short period to answer votes. But in order to expedite the process, I will start hearing from the members who are here and may take them out of order, if there is no objection.

I see our colleague, Mr. Synar, is here. If you do not mind, we will allow you to be the first witness this morning since you were prompt.

Mr. DASCHLE. Mr. Chairman, as Mr. Synar is coming up, I would like to make a brief announcement, if I could.

We are going to be introducing a refined version of the legislation today. After talking with a number of Members of Congress, and especially to members of this committee, it is clear to us that some technical changes need to be made in the legislation which we think would improve the bill very much.

There is one substantive change dealing with the 1982 paid diversions. We tended to eliminate the paid diversion in this legislation.

Then we would make the referendum crop specific. So, in addition to the technical changes, we are making those two substantive changes. We think they will enhance the bill.

We will be introducing that legislation today.

The CHAIRMAN. I thank the gentleman.

This may, of course, be very helpful to the legislation. I commend the gentleman for that. It might not fit into some of the statements

that have been prepared by some of the members, but I am sure that will not be any problem inasmuch as most of the members who appear today, if not all of them, are in support of the legislation.

I am sure the refinements will fit into some of the concerns that we have heard before.

We have been summoned to approve the Journal of yesterday. How long will you take, Mr. Synar?

Mr. SYNAR. Mr. Chairman, I will take no more than 3 minutes. I will summarize my remarks.

The CHAIRMAN. We will hear from you now. Then we can recess for the period of the vote.

You may proceed.

STATEMENT OF HON. MIKE SYNAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. SYNAR. Thank you, Mr. Chairman, and members of the Agriculture Committee.

I appreciate the opportunity to testify before you today in support of the Farm Crisis Act of 1982.

I would ask that my full statement be placed in the record at this point.

The CHAIRMAN. Without objection, so ordered.

[The prepared statement of Mr. Synar appears at the conclusion of the hearing.]

Mr. SYNAR. As you examine the bill, many of the programs will look familiar to you. They are programs that this committee and this Congress authorized last year during consideration of the 1981 farm bill.

Because the Secretary of Agriculture has failed to implement these programs, we have had to mandate their use in this bill. The Secretary and I disagree on two major issues. He does not believe that farmers are in a crisis. He also believes that Government involvement in agriculture is bad, no matter what. I disagree with him on both counts.

I would like to share some views with you that were expressed in a recent editorial of the Southwest Farm Press, a respected agricultural journal.

The editorial was entitled: "It's Time to Admit We Were Wrong." It makes this statement regarding a free market in agriculture:

> That we should have to learn this lesson all over again after having learned it in the hardest possible way in the Great Depression is mind boggling. We had nothing else but a "free market" until legislation was passed in 1933 to bring stability and prosperity back to American farmers. It had not worked, we had a constant boom and bust farm economy and, beginning in 1921, a serious farm depression that contributed heavily to dragging the entire Nation into the most serious depression in history beginning in 1929.
>
> For 40 years, we repeat because it is of enormous importance, we had 40 years of high and strong Federal Government farm support programs from 1933-73. In 1973, we made a serious wrong turn.

Mr. Chairman, the Government does have a place in agriculture. Farm legislation was first developed to stabilize the market so farmers could get a fair price and consumers could get an abundant supply of food at reasonable prices.

That role is still important. A sound farm policy does not cost any money. The Farm Crisis Group has developed such sound farm policy with this legislation.

In fact, the CBO says that we can save the Government $900 million over the next 4 years with this legislation. The Farm Crisis Group has developed this legislation because the farming economy is in trouble and this administration has not seen fit to address the problem.

I believe the Government has a responsibility to provide farmers with the income support they need to continue supplying the American people with food at reasonable prices.

Mr. Chairman, I might conclude by giving my personal thanks to you for having these hearings, but most importantly, I want to express my personal appreciation to my two close colleagues who serve on this committee who are with us this morning, Mr. Charles Stenholm and Mr. Tom Daschle, who have been leaders for the agricultural people in this country in agribusiness.

It is time that we do take action. I hope this is the first of many momentous occasions that we can begin moving and make the adjustments to the 1981 farm bill.

Thank you.

The CHAIRMAN. Thank you very much.

Are there any questions? Mr. Daschle.

Mr. DASCHLE. I know we have to go vote, but I want to commend our colleague from Oklahoma. He has been in the forefront of this fight ever since we started. He does not serve on this committee, but he has the same interest that any one of the members of this committee has.

I think he shares those concerns. He stated from the beginning that none of this would be necessary if we could get the kind of support that we need from the administration, and especially from the Secretary.

Certainly if they would show us that kind of direction, then we would be willing to forego this legislation.

I thank you, Mr. Synar, and I thank you, Mr. Chairman, for allowing this witness to present his testimony this morning.

The CHAIRMAN. The committee will stand in recess. We will resume as soon as the vote is completed.

[Recess taken.]

The CHAIRMAN. The committee will be in order.

The Chair would like to announce that it had been the expectation of the Chair to have the Members present their testimony this morning. And as soon as we had completed that, we would invite the Secretary. Inasmuch as we have the House in session and Members are coming and going, we will go ahead and hear the Members who are present.

We will advise the Secretary to come and will hear the Secretary upon his arrival.

If there is no objection, we will defer hearing from the balance of the Members until after we hear the Secretary.

We have with us now Mr. Hightower from Texas and Mr. Anthony from Arkansas.

Mr. Hightower, we would be very happy to hear from you at this time.

We will be glad to hear whatever advice and counsel you can bring us. You may proceed.

STATEMENT OF HON. JACK HIGHTOWER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. HIGHTOWER. Thank you, Mr. Chairman.

I appreciate the opportunity to appear before you today and express my support for this legislation. It is vital that we provide some help to the farmers and to the rural communities of our Nation and that we provide it soon.

This bill will allow the farmers to do the job themselves through the marketplace and will protect the taxpayer. This bill will save the taxpayer close to $1 billion by Congressional Budget Office estimates.

The farm economy is down and needs help. We have vast stockpiles of all commodities. This, combined with the high cost of money and increasing cost of production and weak export markets means we are going to lose a far greater number of farmers in the coming year than we did this past spring.

I do not think there is any doubt that we are at a crossroads and the structure of who will produce the food and fiber of this Nation.

I have no more interest of going back to 40 acres than going back to a car that you start with a crank. I do believe that it is in our national interest to keep farms and ranches owned and operated by the farm families who have been so much a part of our Nation's character.

This bill you are considering today can do as much as anything I know of in turning farming back to the farmers. The referendum is an important aspect of this legislation.

It has been said that the farmer out in the country just does not know enough to make a decision to take 15 percent of the cropland out of production.

My farmers do.

I would respectfully recommend to the committee that the times requires dropping the paid diversion aspect of this bill for 1982.

Instead, it would be useful to increase loan rates for 1982 to insure set-aside participation, help raise farm income and reduce target price exposure.

The bottom line to the question of how high do you set loan levels and not reduce exports comes back to the question of how can the farmer continue to produce and export at less than the cost of production.

Exports are vital to this Nation's agriculture, but volume alone cannot do the job. There must be a profit.

There is no way that we can sell all of the cotton, feed grains, and wheat we have on hand today at a level that will reflect the cost of production if there is not a limit placed on what is going to be produced in the years to come.

The business world knows that you move to a profit by cutting expenses, increasing demand and reducing supply. This applies to agriculture just like any other business.

The problem with farming is that other factors also are involved. One, of course, is the weather. Another one that we can do something about is governmental involvement.

The Secretary of Agriculture stated Monday in the New York Times that the central role of the Farm Crisis Act was the 1982 diversion payments.

As I have already stated, the acreage diversion payments will have to be dropped because it is too late for this year. What is a shame is that the Secretary could have used that tool to reduce acreage earlier this year and did not.

The result is that the Treasury is looking at as much as $2 billion in deficiency payments. If the Secretary believes the paid diversion provisions for 1982 are the central portions of this bill, he still has not read the bill.

The national vote by farmers to have a conservation set-aside of 15 percent of cropland and the crop specifically set-aside triggered by carryover are the parts that will help insure the Government that the Government will not play more games with the farmers' future in the next 4 years.

The bill will save money and the Secretary should know that it will. The one area that this administration said they will try to help agriculture is to increase export markets.

One of the first ways they could help is to request funding of the revolving Export Credit Fund to give our farmers some help in competing for export markets.

High interest rates and the lack of credit availability have cost U.S. farmers hard-gained sales for several overseas markets.

The loans would be repaid back into the fund to be used again. There is authority under the Commodity Credit Corporation charter to provide this type of bill.

But again it is not being used. If there was an additional $1 billion in export crediting funding, we could see at least an additional $3 billion in increased income for farmers from additional sales.

There would be a savings in deficiency payments of over a half billion dollars, and $1 billion in export sales will create 35,000 new jobs in this country.

That also translates into taxpayer savings.

The Secretary of Agriculture stated in the New York Times article that it is the grain farmers who are suffering and we need to find some markets for them or Mother Nature has to intervene with a shorter crop.

I have some news for the Secretary. We have a lot of cotton farmers in my part of Texas with their backs against the wall along with the grain producers.

If all we do is wait we are going to lose a lot of good farmers.

The last estimates I have seen indicate that we will carry over close to 6 million bales of cotton this year. The Texas ASCS offices are in the process of finding storage for cotton out of cotton producing areas of west Texas.

I have considered requesting this committee to amend the law to allow on-farm storage of cotton because of this problem. I am not going to do that at this time because of the lack of fire insurance available for on-farm stored cotton.

If we have another big cotton crop, we can be stacking cotton in the halls of this building. I do not know where we are going to put it.

CCC has a good chance of owning a lot of it.

Mr. Block was also quoted as saying that farmers are more interested in lower interest rates than higher commodity prices.

He must not have heard what one of my farmers stated at the Secretary's meeting in Lubbock last year when he pointed out that he would not be so concerned about interest rates if he did not have the principal to worry about.

Farmers do not want more credit if they are not going to get better prices. This bill will help farmers get better prices.

I am not a person that gets upset over everything that happens. I have represented the people in my district for a number of years. I have seen good times and bad.

They reelect me because I have worked to meet problems as they arise, not because I sit back and hope things are going to get better or pretend that problems do not exist. We need to act now.

I would ask that a copy of a letter from the Grain Sorghum Producers Association to me regarding this Farm Crisis Act be placed in the record.

The CHAIRMAN. Without objection, so ordered.

[The letter follows:]

GRAIN SORGHUM PRODUCERS ASSOCIATION,
Abernathy, Tex., May 6, 1982.

Hon. JACK E. HIGHTOWER,
Washington, D.C.

DEAR CONGRESSMAN HIGHTOWER: Grain Sorghum Producers Association commends the "Farm Crisis Committee" for their efforts to find some way to alleviate the current agricultural depression. We support the "Farm Crisis Act of 1982" and hope that it will be moved through the House Agriculture Committee and Congress as fast as possible.

It is inconceivable that so many people still refuse to see or admit that the crisis of American farmers is basic to the nation's economic problems. Agriculture, more than any other industry, has been the strength of this nation. It is agriculture that makes America the world's best-fed and best-dressed nation. Agricultural exports have provided the greatest positive balance from international trade. The ability of the American farmers to feed a hungry world is America's real strength among world powers. That strength is in danger of being lost forever.

The "Farm Crisis Act of 1982" will give some added stability and income protection to farmers while lowering cost to Government. We appreciate your interest and support in working to improve the farm economy.

Sincerely,

ELBERT HARP, *Executive Director.*

Mr. HIGHTOWER. Thank you, Mr. Chairman, for this opportunity to speak to you.

The CHAIRMAN. Thank you very much, Mr. Hightower.

I assume there are no questions for Mr. Hightower.

Mr. Anthony, you may proceed.

STATEMENT OF HON. BERYL ANTHONY, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARKANSAS

Mr. ANTHONY. Thank you, Mr. Chairman.

I would like to have my entire statement submitted for the record and with your permission I will just summarize some of the key points that I think need to be emphasized. Then maybe I will

add some additional comments that are not contained in the statement.

The CHAIRMAN. Without objection, so ordered.

[The prepared statement of Mr. Anthony appears at the conclusion of the hearing.]

Mr. ANTHONY. I share the view of many of the members of this committee and other members that represent the farming community that do not serve on the Agriculture Committee that the 1981 farm bill is inadequate to protect the high degree of risk in investment by our farmers, especially given the current outlook for farm prices and farm income this year.

Mr. Chairman, Mr. Hightower, I think, stole my key phrase—"crossroads." I have made many, many speeches throughout the farm community. I have tried to educate the average consumer of food that the farmer produces for him, saying that the farming community truly is at a crossroads this year. You know when you get at a crossroads you can go one of four directions if you have that type of situation.

You can talk with farmers in south Arkansas. You can talk with farmers in any district in the United States. They will all tell you that agriculture has not been profitable since 1979.

The farmer who owns his land has stayed in business simply because of the inflationary impact on land values. He has been able to go and borrow against that increased equity. As a result, he is now carrying the largest debt load since he has been farming.

But I can tell you there is a difference in the farming community in my delta area. Farmers who have never had to worry before because they had low debt and high equity in their land have been squeezed so hard in the last 2 years that last year farmers who had high positions in their land-owned base had high yields, low prices, and could not even pay out their crop production loans.

I tell some of my consumers that to walk through the farming community now is like you go to a family funeral. It is almost like there has been a death in the family.

You know what I am talking about when you talk with them. Farmers literally are in shock. Most of the time when you talk with them, they will not talk with you about weather. But all of a sudden now they do not want to talk with you about anything. They just do not know what has happened, but they know that something has to be done.

The farmer does not want a handout. The farmer just wants an ability to be able to produce, to be productive, but also to be given a fair shot.

I can tell you that the farmers and the agribusinesses in my area do not feel that they are getting a fair shot. They feel that if something is not done this year, there will be structural damage done to the agricultural community and structural damage that they think can have some long-term disastrous consequences to the United States.

I share that. That is the reason that I come before you today in support of the farm crisis legislation. It is a small step, but I think it is a small step in the right direction.

What has happened to farmland prices? Instead of inflating now, they are beginning to deflate. The latest statistics from the Farm

Credit Administration show that nationally they declined 1 percent in 1981 and probably will fall more in 1982.

That means that you have borrowing against farm equity plus the unprecedented high interest rates of recent years that have created unmanageable debts for most farmers.

What you are going to see this year is an awful lot of farmers go out of business. You are going to see a lot of banks end up owning land that they do not know how to operate. It is going to be a disastrous situation.

So what is the solution? We obviously have to find some way to get our supply and demand into balance.

Farmers in my area are responding somewhat to the Secretary's voluntary acreage reduction program. But we all know what the real fear is and that is that the farmer who voluntarily participates in the program only has to look across the field to see his neighbor not doing it.

He knows the only way to do it is to have a mandatory set-aside. That is the only way we are going to be able to get this huge surplus under control and to have some type of a mandatory set-aside. Mandatory means that all farmers will have to participate in it. The acreage reductions, I believe, must be linked to a somewhat higher CCC loan level. The figure of a 10-percent increase in the farm crisis bill, I think, is a reasonable level.

This assumes that production is brought down at the same time so that a smaller total supply could go under CCC loans.

I say: Make no mistake about it. The CCC is going to end up owning a lot more of the 1982 crop just as it will the 1981 crop unless present conditions change dramatically.

I also feel that we need to do something that may be a little bit contrary to public opinion. It may even be contrary to what the sentiment in Congress is right now.

And that is, trying to reduce Federal spending so that we can come to grips with the deficit.

At some point you have to put a little seed money out there so that it can yield rewards later on. I say that we need to put the seed money in for the CCC Export Credit Revolving Fund to help export supluses now on hand.

Sure, you can make the argument that this is going to have a major budgeted impact in the year that we began it. But once we have it under control and once we have it implemented, and the funds begin being repaid, they do become a self-renewing source of export financing indefinitely.

I say that this is the year we ought to bite that bullet, take that chance. We can come back in 3 to 5 years and we can say that we have made a very wise responsible decision.

If we fail to do that, I think we can come back next year and we are going to try to find out how to bail a lot of farmers out with a lot more expensive method.

Mr. Chairman, I thank you for the opportunity to come before you and give testimony in support of the farmers in my area.

I would just simply say that they are in trouble. They need your help. They are looking for your help. They are lost. They do not know what to do.

I ask you to give that assistance to them.

I do have an amendment that I will be asking one of the members to offer on the rice program. When you get into the markup, I will come back and explain that in more detail.

I thank you for the opportunity to be here.

The CHAIRMAN. Thank you, Mr. Anthony.

The staff will be happy to work with you and one of the members will handle your amendment. If not, the Chair will present it on your behalf.

Mr. Williams from Montana, you may proceed.

STATEMENT OF HON. PAT WILLIAMS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MONTANA

Mr. WILLIAMS. Thank you, Mr. Chairman and members of the committee, I am pleased to be here and to have the opportunity to speak to you today on behalf of the Farm Crisis Act, of which I am an original cosponsor.

Farmers in America and farmers back home in Montana are fighting a battle to survive. The battlelines are drawn across rows and fields of grain.

The enemy ranks are full—crippling high interest rates, increased costs for nearly every production item on the farm, weak export policy, record low farm incomes, and a desperate recession in this Nation's economy.

As the farmers join ranks to fight these enemies, what are their weapons? They are the willingness to risk their financial security on every crop they plant, an abundance of hard work, a tradition of independence, reliance, and optimism.

All these are valuable weapons. You and I know that in this economic climate, these weapons are not enough.

The farmers need help. They need an effective weapon. During debate on the farm bill last year, the farmers brought their case to Congress and asked that they be given a weapon in the form of effective Federal farm programs.

Instead, at the insistence of this administration, the farmers were handed a sword with no blade and a gun with no bullets.

It is no wonder that the farmers are losing the battle. As the farmers retreat to bankruptcy court and auction sales, they sweep a way of life with them.

The rural small businesses across America that thrive when the farmers thrive will be swept into foreclosure right behind the farmer.

The economic black hole into which our farmers are falling will widen and it will draw in the seed and fertilizer supplier, the service station operator, the farm implement and machinery dealer, the grocer, the barber, the insurance agent, and all the rest.

It did it in the thirties and that economic black hole will widen again beyond the farms and into the streets of our cities and into every city in this land.

So I join my friends on this committee and urge the Congress to take a quick first dramatic step in preventing this national disaster.

The Farm Crisis Act can sharpen the sword and provide the ammunition that the farmers need to win this battle for themselves and for this country.

Thank you, Mr. Chairman, and thank you, members of the committee.

The CHAIRMAN. We thank you for your contribution.

Our next colleague is our colleague from Minnesota, Mr. Oberstar.

Welcome. You may proceed.

STATEMENT OF HON. JAMES L. OBERSTAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. OBERSTAR. Thank you, Mr. Chairman.

I am delighted to have this opportunity to be here and speak on behalf of farmers not only in Minnesota, my district, but elsewhere in the State of Minnesota and on behalf of the farm problem nationally.

I would ask that my prepared statement be placed in the record at this point.

The CHAIRMAN. Without objection, so ordered.

[The prepared statement of Mr. Oberstar appears at the conclusion of the hearing.]

Mr. OBERSTAR. I think, Mr. Chairman, you, by holding these hearings in the full committee, have underscored the significance of this problem and its national implications. I commend you and all the members for acting promptly to respond to the farm crisis.

I am here on behalf of the farmers in my district. They are not looking for a handout; they are just looking for a way to make ends meet and stay in operation.

I am here because I want this committee to know that your efforts have support beyond the members of this committee in the Congress. When you bring the bill to the floor—and I know it will be a good bill—you will have support in your efforts.

I am here also in the wake of meetings that I have had throughout my district with farmers and with the farm community—rural bankers, rural small community retailers, implement dealers.

It was all summed up by one implement dealer who said: "Two dollar corn and 20 percent interest rates do not sell tractors."

A small rural banker said: "We are security upped; we are loan upped. We do not have any more money to loan."

They are not getting it from the Government. They cannot get it from banks. The marketplace is not working. They cannot sell their products.

Somebody has to do something. That somebody is us, in the House and the Congress as a whole.

In the wake of those meetings I had with the farmers, I introduced legislation to raise the Commodity Credit Corporation loan rates for wheat and corn, and directed the Secretary of Agriculture to make loans available to farmers under the existing emergency loan program and to require the Secretary to allow deferral of principal and interest on the outstanding loans of the Farmers Home Administration.

I found it incredible that the Secretary of Agriculture came before this committee and said that less than 1 percent of farmers were hurting.

The figures from his own Farmers Home Administration showed that 60 percent of the Farmers Home Administration operating loans of this country were in delinquency and that 50 percent of the Farmers Home operating loans in the State of Minnesota were in delinquency.

He did not even read the figures from his own Department. Later he came back and said: "Well, maybe there is a problem out there."

That farm bill was on the House floor last December. I called it an economic Dunkirk for farmers. At Dunkirk the British only had their backs against the sea. With this farm bill the farmers have been pushed into the sea. They are floundering and they need help.

Out our way the parity price for a bushel of wheat would be $7.18. USDA figures say that the cost of producing wheat is $5.32 a bushel. But the market price is $3.50. Farmers are losing $1.82.

The cost of producing corn out our way is $3.10 a bushel. Farmers are lucky if they get $2.50 for it. They cannot continue to subsidize the marketplace with their operations.

I know farmers who are taking a job in town in an old factory and small retail outlets just to supplement their farm income so they can stay in farming.

That is not right. The pricing system for agriculture is not working when farm producers have to go to the banks and borrow when they cannot get their money out of the marketplace.

The farm system is not working when our Government is imposing export embargoes on wheat and corn and when they are selling surplus butter at less than the world market price.

That simply is not the way that a farm system ought to operate.

We have an opportunity to come back and correct the mistakes of that farm bill and to help farmers get back on their feet.

You have a bill before you. It is not a partisan bill. Problems facing farmers are not Democrat or Republican problems. They are public policy problems.

If we do not act, I am afraid that we will be following the observation of one of the folks who spoke at one of the farm meetings I had.

Franklin Lundquist of Center City, Minn. was there. He is in his late seventies. Franklin lived through the 1933 Depression.

He said, looking at the net farm income of farmers, that it is lower than it was in 1931.

In that year we had a farm lead depression. He said:

"If you do not do something out there in Washington about the farm problem, we are going to have another farm lead depression."

Take the advice of those who have been there before us. Let us do something. Let us get this bill passed.

Thank you.

The CHAIRMAN. Thank you very much.

To conclude the members this morning, we call on our colleague from Oklahoma, Mr. McCurdy, for his presentation.

You may proceed.

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STATEMENT OF HON. DAVE McCURDY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. McCURDY. Thank you, Mr. Chairman.

I come before you today out of genuine concern for the future of farmers in our Nation. I think we all stand in agreement that as the farm goes, so goes the country.

I am among those who see in the Farm Crisis Act of 1982 a ray of hope, a last gasp, for America's remaining farmers so that they may finally emerge from this desperate economic plight.

No, this is not a cure-all. It does not pretend to offer solutions to all farm problems. But it does represent a responsible initiative by this Congress to answer the current farm depression with a viable program.

In the Fourth Congressional District of Oklahoma, we grow wheat, cotton, peanuts, a little sorghum, and a smattering of corn. We raise cattle and hogs, poultry and sheep. Except for a handful of medium-sized cities, the district is predominantly rural in nature.

I have become a cosponsor of the Farm Crisis Act of 1982 because my farm constituents are running out of time. Our recent experience in Washington with the Agriculture Council's Telephone Farm Survey made it quite apparent that my constituents are not alone.

The economic crisis has touched farmers in almost every region and in almost every congressional district in this country.

It has become obvious during the current recession that farmers, particularly small- and medium-sized producers, are unable to pass through a period of high interest rates and low returns like other segments of the economy.

The homebuilder stops building homes to minimize his losses. Labor unions control what they receive for their work through collective bargaining.

Industry lays off workers to reduce their overall output. Only the farmer must continue to produce in good times and bad times.

Only the farmer has little choice and almost no control over the economic factors that can spell his demise. That is the cold-blooded reality of our current farm crisis.

We are watching farmers go bankrupt, whether they have exercised good farming technique or bad and whether they have planned meticulously ahead or not planned at all.

Farmers are failing due to factors beyond their control. Instead of the take-it-or-leave-it approach of the current set-aside program, the Farm Crisis Act of 1982 allows farmers some direct input into agricultural policymaking.

Through a national referendum on set-aside programs and policies, we offer farmers a voice in the decisionmaking. They may individually respond for the first time to outside economic conditions.

Ultimately, however, the goal of this legislation is to increase demand and reduce supply while providing immediate emergency assistance to those farmers who qualify through accepted farm practices.

But our mission is one of great urgency. Farmers in my State who are already living on various sources of credit are facing

wheat prices of $3.25 to $3.50 per bushel during the harvest that has just begun.

That is if it dries out enough so they can get the combines in the field.

They are afflicted with high interest rates of 18 and 19 percent to obtain production costs.

A wheat combine today costs about $81,000. A tractor is in the range of $30,000 to $40,000.

Finally, the bottom line factor that separates the Farm Crisis Act from just another piece of legislation to score points at home is that it will save the Government money. It will save the Government millions of dollars just by encouraging larger set-asides.

Larger set-asides translate into additional amounts of land being taken out of production, lowering of outright deficiency payments, and less Government storage payments.

We as a Congress have a legitimate opportunity here to help farmers in a cost-efficient manner. It is about time.

Mr. Chairman, that concludes my statement. I appreciate the opportunity to appear before the committee to offer my insight and my position, but also again to urge the committee's action, I think, on this very important piece of legislation.

Thank you.

The CHAIRMAN. We thank our colleagues.

We appreciate your interest in this effort and knowing how ably you represent your constituency, we commend you, and we thank you for your presentation.

We have our friend, the distinguished Secretary of Agriculture, here.

We will defer hearing from any other member that was to appear this morning. Meanwhile they may submit statements for the record.

Mr. Secretary, we welcome you once again.

We will be very happy to hear from you at this time. You may invite your assistants or your staff to appear with you, those whom you might need for your presentation and/or questions, friendly or otherwise. [Laughter.]

First let me explain or apologize to you that we had already scheduled a hearing on problems concerning dairy which is meeting next door.

The House is in session. We had anticipated they would meet at noon. They met at 10 a.m.

So we have three operations going on at the same time. But if you have no problem with that, we will continue with your presentation while some of the members go vote. We will do it in two shifts here.

In that way all of them will have an opportunity to hear part of your testimony, and hopefully you will read all of it from your prepared text.

We welcome you and we will hear from you at this time.

STATEMENT OF JOHN R. BLOCK, SECRETARY, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY WILLIAM LESHER, ASSISTANT SECRETARY, ECONOMICS

Secretary BLOCK. Thank you, Mr. Chairman.

I am very happy to be with you and have a chance to testify this morning.

I am fully aware of the problem with trying to keep up with everything. You mentioned the three activities, the three-ring circus, going on here today. This is just one of the rings.

But it is a very important ring because we are talking about agriculture and the future of agriculture. I am happy to come and testify before this committee.

I have submitted the text of my testimony on H.R. 6274, and I am hopeful you will take time to study it carefully, as I am sure the committee will.

I am not going to take time to read it now, but rather I would use this opportunity to summarize my overall reaction to this legislation.

The CHAIRMAN. Without objection, your testimony in its entirety will be placed in the record at this point.

[The prepared statement of Secretary Block appears at the conclusion of the hearing.]

Secretary BLOCK. I am afraid that the authors of this so-called Farm Crisis Act did not take the necessary time to analyze what could happen if this legislation were enacted into law.

I say this with all due respect and fairness, but I believe that this bill would risk the future of agriculture on a venture that may be more motivated, frankly, by politics than by commonsense, in my opinion.

The greatest danger that I see in this legislation is in the possibility that really could be taken seriously. I will discuss some parts of it a little bit later on as I have serious concerns about them.

This legislation is an attempt to deceive us into believing that it will lead agriculture out of a crisis. Commonsense tells us that this Farm Crisis Act is destined to lead us into a crisis situation.

We have taken time to analyze the ramifications of this legislation, and our conclusion is that it is just plain bad policy.

Some of the consequences of this bill are explained in my testimony. A more detailed analysis will be submitted to you later.

The CHAIRMAN. Without objection, that will be placed in the record at this point.

[The detailed analysis appears in the May 25 proceedings with the bill.]

Secretary BLOCK. Speaking to you as a Secretary of Agriculture, I am very alarmed by this legislation. And speaking to you as a farmer myself, I am frightened by it.

I would encourage the authors to abandon this course and join us in helping agriculture where help is most needed. Let us concentrate more on really helping the farmers rather than simply on who gets the credit.

I encourage this committee not to spend a great amount of time in considering a bill that is misleading, self-defeating, dangerous,

and unwanted by farmers. It is better that you direct your valuable time toward attacking the real enemies of agriculture.

As a farmer myself, I know that interest costs and inflation stand out among all others as major burdens. We have tackled inflation and we have succeeded.

But more work needs to be done to accomplish our goal of lowering interest rates. The only way that we will achieve this is by reducing Government spending.

Mr. Chairman, as you pointed out, this is being reviewed right now. We are trying to get a responsible budget through this Congress.

I think it is imperative and I feel the American people demand and expect it.

We need to have a budget that envisions reduced Government spending and not increased taxes. When a farmer cannot make ends meet, and when his expenses are greater than his income, he must find ways to cut his expenses.

This is nothing new to farmers. Farmers have done it for years. Government needs to take a lesson from farmers. Farmers put their genius to work and find ways to get through these tough times. I believe that the farmers and the people of the country expect Government to show that same kind of genius.

President Reagan is drawing upon this same kind of American character to bring soundness back into Government. It will not be easy, but no one promised that it would be.

I also encourage you to give full support to our efforts to expand export sales. In fact, I must compliment you. I know you have helped us there.

That is another reason why it is so important to stop this legislation. At a time when market potential is very important to the future prosperity of agriculture, it is equally important that our domestic policies do not work against our ability to compete evenhandedly in the world market place.

The sponsors of this legislation are suggesting a continuous acreage limitation program that will send a clear signal to our world competitors that they can engage in a long-term expansion of their production.

We all know what happened the last time we sent that type of signal. The Carter grain embargo of 1980 was a clear signal for our competitors to increase their production and pick up the market that we tossed aside.

We are still plagued with the problems caused by that embargo. I do not think any of us want to send those types of signals again.

The truth of the matter is that this legislation is not in tune with today's farmers. Our farmers are not going to be willing to cut production year after year while farmers from other nations take up the slack—and the profit.

As you know, we have a voluntary acreage reduction program in gear. The signup for the program has been impressive. There is a reason for this. I firmly believe farmers have signed up in great numbers because they believe in our sincerity. We have told them that we do not particularly like cutting production. But it is necessary this year for a variety of reasons.

We have told them that we will get out of this reduction program as soon as the economic climate allows us to get out. We have told them that we will protect the integrity of the program while they are in it. We have lived up to that promise and intend to continue to do so.

The simple fact is that farmers cannot view H.R. 6274 with this same kind of trust.

Here are some of the reasons they can't:

Calling for a 5-percent paid diversion program for 1982 crops is unrealistic. With most of the crops already planted, it is naive for anyone to believe farmers would plow up 5 percent of this land. American agriculture was not built on poor management decisions like that.

In the event that a referendum failed, the Department of Agriculture would be severely restricted in its ability to design and implement farm programs.

Farmers have told me time and again that they want our programs to be simplified. There is nothing simple about basing next year's planted acreage on this year's beginning stocks in relation to last year's use. It is simply too regimented and too difficult. It will not work.

In fact, according to the stocks-to-use triggers in this bill, a reduced acreage program would not have been implemented in 1982 for feed grains and cotton.

You know what that would have meant. We needed to implement those programs. The bill as it is written now would not have triggered acreage reductions for these two crops.

This legislation also would blacklist a farmer from Government programs for 3 years simply because he failed to comply with acreage limitations during the first year.

I wonder, are we really ready to tie the hands of agriculture that severely? I do not believe farmers want to be tied up that severely.

Another part of this legislation would mandate use of emergency agricultural credit under the provisions of the Emergency Agricultural Credit Act of 1978.

USDA already has authority to implement the credit program. We have not used that authority because an adequate amount of credit is already available to meet the demand.

I sincerely hope that the sponsors are not suggesting that we lower our credit risk standards simply to create more demand.

Such action would not be very businesslike.

There are other similar flaws in this legislation. I can see there are a few parts of this legislation that have merit. But most of the parts that have merit can be and could be acted upon administratively, as I said in my testimony.

I would like to end today by making one point very clear.

The programs designed by the Reagan administration are in gear. The economic signs tell us that they are already working. The signs of recovery are evident.

It would be wrong to change the signals now. More so, it would be cruel to raise expectations when we know we really cannot deliver.

We also must be aware of the consequences that will have to be faced by giving the whole Congress a renewed opportunity to examine the 1981 farm bill.

Many of you helped move this legislation through Congress. I am certain you recall the amount of time and work involved. By taking H.R. 6274 before Congress, you may find that your losses would be greater than what you originally had hoped to gain.

This is no time to be moving backward. Our programs are looking to the future, to greater and more prosperous days for American agriculture.

On the other hand, this legislation is looking to the past, to the 1950's and the 1960's, with massive amounts of land being idled, and chronically low returns for farmers being the result.

I feel farmers are justified in being very apprehensive about the prospects of this kind of legislation.

Thank you, Mr. Chairman.

Mr. WEAVER [acting chairman]. Thank you very much, Mr. Secretary.

I would like to note and ask you if it is a good management decision and very businesslike to have our farmers continue to sell more and more of their grain here and overseas at a loss?

You want to expand, as you say in your testimony, overseas sales, expanding sales wherein each farmer sells at a loss.

Is that good business?

Secretary BLOCK. We want to hold our percent of the market. You do not hold your percent of the market by retrenchment, continual retrenchment.

I have no problem with this. In fact, I have been a strong cheerleader for this year's acreage reduction program, which will strengthen our prices. It may be necessary to move in that direction another year.

But I think it would be a serious mistake to lock in an extended program of acreage reduction.

Mr. WEAVER. Mr. Secretary, another year is going to be too late.

I recognize the gentleman from Kansas, who was No. 1 in coming to the committee this morning. The gentleman is recognized for 5 minutes.

Mr. ROBERTS of Kansas. Thank you, Mr. Chairman.

Mr. Secretary, I appreciate your coming here and for your very frank and candid testimony.

This is a little like a crescent wrench bill. It seems we are going to fit that wrench to any problem. But the thing that worries me out in my country is that we may strip the gears if we go through with it in its entirety.

I am a cosponsor of this legislation. There are many portions of it that I agree with. There are other portions that I do not.

We are at a make-it-or-break-it time for farmers in the High Plains. The price of good old Hard Red Winter wheat in Kansas dipped below $3 for the first time in my memory for a long time just yesterday.

I was just talking with a banker before I came up to this hearing who had bank examiners in his bank going over and reviewing the loans of producers who may or may not make it within 60 days.

I am not talking about next year so the situation is very serious. I know you know that.

I think it is impossible to get this farm crisis bill through the entire Congress in time to be of help to these kind of producers.

So my first question to you is: When can you get the 1983 wheat program details out? The earlier the better.

Secretary BLOCK. We would expect to have the details out sometime in mid-July.

Mr. ROBERTS of Kansas. I have heard by July 15. Is that a specific date? It is extremely important to get the details out.

In my view we are really talking about a paradox of enormous irony here. Most of my farmers do not want to go down this road as entailed in the Farm Crisis Act. They would rather export it and get a price.

I am raising the question that appears in all the press that this administration is somewhat divided in its intent to sign a long-term agreement with the Soviet Union and, in fact, be much more an aggressor in terms of getting our exports cracking.

I would make a suggestion, Mr. Chairman, and I do not mean any disrespect for the Secretary of Agriculture who has been a strong fighter for this cause, but I think we should have some others before this committee—and I am talking about the Secretary of State, Mr. Haig, and I am talking about our National Security Adviser.

I am talking about the Secretary of Defense, Mr. Weinberger. I would like to know who are these people in the administration that the press reports are opposed to this kind of a policy.

I am tired of it. My farmers are tired of it. We cannot have it both ways. You cannot have an export-oriented farm policy without exports.

We still have, in my view, a de facto embargo. I know you have worked harder than anybody else in this room to end that. But my farmers are sick and tired of it and I am sick and tired of it.

We have gone through four administrations meddling with the farmers' market and people saying that it is their grain.

I got a little wound up on that and I apologize. But I would like to ask you to respond.

Secretary BLOCK. Congressman, I strongly favor a trade agreement with the Soviet Union. I believe that we can sell more products to them with an agreement. We will not be a residual supplier if we have an agreement. We will reduce some uncertainty in the country if we have an agreement.

You might have seen my letter to The Washington Post challenging an editorial that they had printed.

Mr. ROBERTS of Kansas. It was a good article.

Secretary BLOCK. Furthermore, I pledge that I will press for an early decision on whether we are willing to seek an agreement.

That is all I can say at this time. But I can say that my position is quite clear. That is the direction we will take.

Mr. ROBERTS of Kansas. What about the possibility of legislation that has been introduced by my colleague from Iowa, Mr. Evans, on making sure that we have 180 days whereby contracts would be honored unless we were in a situation with our foreign policy where our national security would be threatened?

What would you say about that if, in effect, we cannot go ahead with a long-term agreement?

Secretary BLOCK. That is another consideration. It really has not been discussed even in detail in my Department, let alone within the total administration.

Frankly, I feel that the President's policy on agricultural exports provides a considerable amount of assurance to countries almost to the degree that the proposal by Mr. Evans does.

Mr. ROBERTS of Kansas. I am in agreement with the President's policy. As you know, I worked very hard with you in terms of trying to put the details to it.

But when you have Secretary Haig saying that we want to limit the long-term agreement and not sign one because we want to cause pain and suffering over there in the Soviet Union for their policies in Poland and in other parts of the world, I can assure you that the pain and suffering is going on in western Kansas.

It is not going on in terms of the Soviet Union.

I have just received over 1,000 surveys, Mr. Secretary, from farmers in my district—and I went ahead and asked them the basic question on the referendum.

We are receiving about 200 a day. I would report to you that 48 percent favor having a referendum, and 36 percent do not and 16 percent had no opinion.

On actually going ahead with the referendum, with the provisions that you described, 46 percent said yes, they would favor that kind of mandatory program with those penalties that we talked about, and 41 percent said no, and 19 percent had no opinion.

Historically my people really do not want to participate in any Government-controlled farm program. We produce more wheat in my district than any State.

But it is because of the concern of how serious it is that we are getting 46 percent wanting to sign-on.

I would add one other comment. The 46 percent that have signed on have come from an area where we continuous crop. The summer fallow producer is still left high and dry by this program and is one of the reasons I could not support it in its present form. He did not add to the surplus but it would really penalize him.

I think I can tell you that our certification within the farm program out in Kansas will be somewhere between 35 and 45 percent.

I do not know if that is good news or bad news, but I can tell you we are going to have a record crop this year. I have just been out. I have never seen the wheat look any better. We are getting too much rain at the present time.

But we could go 500 million bushels, which is 75 million bushels over what we had in our record-breaking crop of 1980. That is why we are seeing the cash price at the elevator drop so drastically.

If you take 15 percent out of our record crop, we are still about 12 million more this year in terms of bushels. We have to have something. We have to have the answer.

I have gone on with a speech more than some questions, Mr. Chairman. I see I am over time, so I will cease at this point.

The CHAIRMAN. Both your speech and question time has expired. [Laughter.]

The Chair will follow the usual practice of recognizing the members.

The next member would be Mr. Daschle.

Mr. DASCHLE. Thank you, Mr. Chairman.

Secretary Block, we welcome you to the committee once again.

I frankly am very disappointed that you would charge politics in this kind of a debate. I think a lot of Republican Members who have cosponsored this legislation, both in the Senate—Senator Andrews and in my own State, Senator Pressler, and many other Senators—including many members of this committee, find that charge unfounded.

The fact of the matter is, Secretary Block, I cannot think of a member on this committee I have not approached and that other members have not approached, to find some collective means of dealing with this farm crisis.

This is not with politics and not with any kind of political advantage in mind, but in a way of finding a way out of this incredible crisis we are in today.

The fact is that it is all the more ironic that you would make that charge, given the fact that this week you are making political trips to my State and to North Dakota, specifically to talk about agriculture in a political context.

So I think that is most interesting.

Most important of all, I would rip up this bill right now—I would tear it up as a piece of legislation—if we could get a commitment from you and if we could get a commitment from this administration that this bill is not necessary, and, that on your own you would take the measures that we need to take to eliminate the incredible surplus and to get the participation we need from farmers.

We are not getting that. We are not getting any kind of a response that we need from you and from this administration to deal with the crisis we are in today.

We are in a depression. We have the lowest prices. I do not know if Mr. Roberts said it or not, but he indicated to me this morning that we are going to see wheat prices drop below $3.

The response we get is similar to the response that was recently attributed to you in one of the Minnesota papers—and again reiterated in the New York Times.

I quote here: "We are paying for bumper crops for the last 2 years. The best thing that could happen in the farm sector would be some sort of worldwide disaster, a natural disaster. Something of that sort would bring farm prices up. Otherwise the farm sector will just have to be shaken out."

In the New York Times it says: "It is the grain farmers who are suffering. We need to find more markets for them or Mother Nature has to intervene with a much shorter crop."

That is the kind of hope that I think is fallacious, Secretary Block. I think what we have to do is deal with this thing in a very open-eyed manner.

We have to drop the diversion payment, and we have already indicated many times in the past that we are going to do that.

What disturbs me is your basic misunderstanding of the legislation. You constantly say that we cannot spend more money to help the farmers. The fact is that the Congressional Budget Office tells

us we are going to spend $1 billion less. I think that is important for you to understand.

My question is: Why would you oppose allowing the farmers to have some say? Why are you opposed to a referendum? What is there about a referendum in giving the farmers a chance to vote that upsets you?

Secretary BLOCK. It is my observation that on a national basis there are many farmers producing crops who are not excited about this. They are not going to support the referendum.

I have been in many parts of the United States and it is my sincere opinion that the farmers there are not interested in tying themselves down for 3 years.

Farmers have a pretty good memory. They can recall that in the last 5 or 6 years, on a year-to-year basis, we have gone from surplus to shortage to surplus to shortage from year to year.

This changes very quickly. It can change overnight. It has only been a little over a year ago when we were thinking we had a shortage. Now we have a surplus. We think we may have a bigger surplus. I wish that Congressman Roberts did not have those glowing reports on crops in Kansas.

This changes overnight. Everyone of us knows that. It changes so quickly that we should not tie ourselves in to something that can perpetuate for 3 years.

Farmers are not going to go for something like that.

Mr. DASCHLE. Does the Secretary understand that this referendum is for 1 year and that you vote and that we have the set-aside or not have the set-aside?

It appears to me again that you are misunderstanding the bill. You, No. 1, are telling us it is going to cost more. No. 2, you are telling us it is a 3-year program when we are voting.

You are telling us that you do not think participation is going to be high in the referendum and for that reason you are not going to even give them a chance.

You still have not answered my question. Why do you oppose giving the farmer a chance to vote and to make that decision on whether or not he can participate in the program? Why are you opposed to a national referendum?

If you can answer that question, I think we can better understand your opposition to the bill.

Secretary BLOCK. It is the kind of referendum that we are putting together that concerns me as much as anything else. It is a referendum that if it passes but a farmer does not go into the program, then he is shut out of the program for 3 years.

Mr. DASCHLE. Would you work with us to design a better referendum? Will you work with us right now to design a better referendum?

Secretary BLOCK. I do not feel that it is appropriate and that the timing is right to be having a referendum.

Mr. DASCHLE. You still are not answering my question, then. You are saying you do not like our referendum. But then when I say: Can you work with us to get one better? You then say, well, you do not know if you like a referendum.

Tell us: Do you want a referendum or not? If not, why?

Secretary BLOCK. I have a solution.

Mr. DASCHLE. Tell me, do you like a referendum?

Secretary BLOCK. I do not like the one I am looking at. Unless a new one is devised that looks better, I am not going to like it. There may be one that is better, but under the circumstances, I am not in favor of the one we are looking at.

Mr. DASCHLE. Will you work with us to get one that is better?

Secretary BLOCK. I would be happy to work with you, but it may not be to get a referendum that is better.

The CHAIRMAN. The Chair recognizes the gentleman from Oregon, Mr. Weaver.

Mr. WEAVER. Thank you, Mr. Chairman.

Mr. Secretary, in your testimony you said that this bill looks to the past and not to the future. No statement could be more incorrect.

Our farm policy has been built on loans in the past and not prices. This bill is finally going to the situation where we are going to try to bolster the prices to get the farm community the prices they deserve and they should get for their commodity.

It is laughable that you say we have made good management and business decisions in agriculture when we simply are selling our commodities in greater numbers at less than the cost it takes to produce it. That is laughable and ridiculous, asinine, stupid, and simply so absurd that it almost does not need comment.

This bill—and its main provisions I certainly support—goes in tandem with the grain export provisions that I have discussed with you.

In other words, if we control supply, we should also increase prices. Let us just see what OPEC did in the last year.

With an enormous glut of oil in the world, they had been producing 31 million barrels of oil a day. They are down to 15 million barrels of oil a day. But they have held that $32 benchmark price.

It almost cracked, but they held it. That is what we are going to have to do in American agriculture. We are going to have to control supply and at the same time, increase prices.

So, then our farmers can live and we can get the kind of income from our agricultural produce that we need. In the 1930's we killed little pigs by the thousands. I remember it as a child. It was just terrible. People were starving and we were killing little pigs. But the irony was that the price did not go up for pork. It was still a nickel a pound for pork chops. The farmers continued to go broke.

I am going to be offering to this committee as an amendment, Mr. Secretary, my export grain bank bill once again which gives you the authority to set minimum prices for our grain in overseas sales.

As I said, it goes right in tandem with the other provisions of this bill. We control supply and at the same time we will get a better price.

I am going to make this amendment, if enacted into law, entirely discretionary with the Secretary. In other words, you do not have to use the provisions or any of the provisions if you do not wish. They are completely discretionary in every single way.

Do you not think it is a good thing to have such authority on the books so that if you feel the need to raise farmers' income—which I am not sure you do—but if you feel the need to raise farmers'

income, you could have that authority to do it, if the situation warranted.

Secretary BLOCK. Congressman Weaver, I daresay there is not anyone in this room who would be happier if we saw stronger grain prices than we are seeing today.

However, I do not feel the solution is to change the price artifically at the discretion of the Secretary of Agriculture.

I have said that if I had the magic wand I probably would have waved it already. But I do not think that is in our best long-range interest.

Mr. WEAVER. Mr. Secretary, OPEC seems to have the magic wand. Why are we floundering? Why must we sell our farmers down the river?

The magic wand is there. We simply can say: We want a fair price for it. We are the OPEC of grain. We produce 80 percent of the soybeans in the world market and 70 percent of the corn and 50 percent of the wheat.

That is more grain that Saudia Arabia, Algeria, and Libya, and Nigeria are selling oil.

Secretary BLOCK. Mr. Congressman, we are only the OPEC in grain because we have utilized policies of living with a world market system. We have been competitive. The minute we decide that we are not going to live with the world market, if we are going to retrench—I will tell you what will happen.

This year, as we cut back wheat production, and we need to—I know that—Canada is projecting a 3-percent increase, Australia a 5-percent increase, and Argentina, 1 percent over the last year's acreage.

You add this all up. We cannot go down that road very many years.

Mr. WEAVER. Mr. Secretary, we produce seven times the amount of wheat that Canada does. If you raise Canada's 3 percent, that amounts to an infinitesimal amount of our market.

We make the world market. The Canadians were here. We talked with them. They said, "When are you going to wake up, America, and start letting us make a living, too, by raising the price of your grain?"

The Australians are saying the same thing. We can get the price. Why will you not have this discretionary authority of just putting it on the books with a threat to our foreign buyers? This would raise the price of our grain in overseas sales.

Thank you, Mr. Secretary, and thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

I recognize the distinguished ranking minority member, Mr. Wampler.

Mr. WAMPLER. Thank you, Mr. Chairman.

Mr. Secretary, it is always a pleasure to have you before the committee.

As the chairman has explained, we are somewhat in a dilemma in that we and another subcommittee have been meeting for most of the morning, as well as the fact that the House is in session. But nonetheless we do appreciate your presence here.

Supposedly tomorrow, the House will make another attempt to pass some type of budget resolution. Hopefully it will be a bipartisan one.

I said many times last year as we were deliberating over trying to fashion an omnibus farm bill, I thought probably the best farm bill that this committee could report out would be generally what the President had proposed by way of economic recovery, trying to get interest rates down and to get deficits down.

Quite obviously since the 1981 farm bill was signed into law, we have seen a further deterioration in commodity prices, particularly in grains.

If the Federal Government is going to have to go into the open money markets of this country and elsewhere, as apparently they are during the third and fourth quarters of this year, to borrow as much as $90 billion, then frankly I do not see much hope of interest rates coming down precipitiously or significantly.

What I am saying to you today, Mr. Secretary, is that I am not a cosponsor of this Farm Crisis Act. It is not that I do not appreciate what the sponsors of it are attempting to do.

I can agree with some of it, but for one I have no desire to take an omnibus farm bill back to the floor of the House in 1982, in light of what happened in 1981.

As you know, we passed a farm bill after direct assault by many Members of the Congress on different titles of the bill. We saw commodity after commodity come under attack.

Then after many weeks of meetings in conference committee, we finally agreed upon a conference report. It passed the House by the overwhelming majority, I believe, of two votes.

Frankly, I do not see much hope of us passing a bill anything close to this in the House. I am afraid we might lose what little we were able to achieve in the 1981 farm bill in light of the frustration that we all are experiencing and the budgetary restraints under which we are operating.

My question to you, this morning, Mr. Secretary, is this. You have indicated in your statement that you are supportive of additional initiatives that could be taken to try to strengthen and to broaden and expand our export markets.

As you know, many of us on this committee have recommended to the President and to you that we take some additional initiatives which could be taken under existing authority, and especially on the revolving credit export program.

Would you mind sharing with the committee your views on that particular initiative at the moment?

Secretary BLOCK. Congressman Wampler, there are some export initiatives that I feel could be useful. One of them would be an export revolving fund.

There are other possible export efforts. I think we have to review all of these in context and appreciate that they are going to cost some money, particularly the export revolving fund.

The bill talks about $1 billion. It could be very helpful to us. But it is not going to be easy to decide if we are willing to spend it when we are looking at a deficit the size of which I do not know.

It seems to change from day to day, but we are trying to get the deficit down. It creates a dilemma for us.

I do believe, though, that the soundest approach to our farm problems is to find markets rather than to restrict production, at least for any kind of a long-term period of time.

Mr. WAMPLER. Mr. Secretary, the President is scheduled to return later this week from the economic summit meetings in Europe. Are you in a position to share with the committee this morning your views on what the prospects are for the finalization of the negotiations with the Soviet Union for additional grain sales?

Secretary BLOCK. As I said a little bit earlier, I do favor a trade agreement of some kind. I feel that we can sell more products to them with an agreement.

We would have less of a chance of being the residual supplier. I pledge that I will press for an early decision within the administration as to whether we are going to seek an agreement with the Soviets.

As a result of the discussions that Mr. Lodwick had with the Soviet Union recently during the regular consultations, it appears that there is going to be a long-term market for feed grains in the Soviet Union and a good long-term market for feed grains.

The kind of market we are looking at for wheat is a little bit more in doubt. There probably will be a market, but perhaps not as strong a market as we see in the feed grains.

Even if the Soviets get their agriculture straightened out so that they are more productive than they are today, they probably are not going to be very good at producing feed grains. They are so far north that they are more like Canada.

So they are going to be better at producing wheat if they ever straighten out their agriculture. Right now, I think that is in serious doubt.

Mr. ALEXANDER. Would the gentleman from Virginia yield on the question of the revolving fund?

Mr. WAMPLER. My time has expired.

The CHAIRMAN. The time of the gentleman has expired.

The Chair will take his time at this time and yield to the gentleman.

Mr. ALEXANDER. I thank the gentleman for yielding.

Mr. Secretary, on the question of the revolving fund, there is no doubt among the persons who were following the logjam in the farm commodities that exports are the immediate solution to moving the 1982 crop to international commerce. But you seem to be reluctant to support the idea of authorizing and later appropriating $1 billion for the purpose of providing credit. But at the time you seem to say that you favor that.

Is the Secretary saying that as a farmer it is a good idea but as Secretary of Agriculture, because of budget constraints, you cannot support it?

Secretary BLOCK. What I am saying is this: I favor it in principle, and certainly as a farmer I would favor it.

But as a Secretary of Agriculture and as a part of the total administration—and we have to make total administration decisions—there is no decision being made to have that.

It is not part of the budget right now. Unless the decision is made that we are going to have one, then it is not fair.

Mr. ALEXANDER. Mr. Secretary, the farmers of this country need you to support this revolving fund. It is the one hope that we have to provide the credit that is necessary to sell the 1982 crop in international commerce.

I would urge you to think in terms of a farmer instead of as a Secretary of Agriculture because the farmers of this country need your leadership.

Right now it is being eroded and the void is being filled by Members of this Congress in order to provide the direction that is necessary to move the 1982 crop.

I urge you to reconsider your position in light of the needs of the American farmer.

Secretary BLOCK. Mr. Alexander, may I ask this? Does the House budget proposal include this?

Mr. ALEXANDER. The House budget proposal, of course, has not been enacted. It is to be scheduled for consideration tomorrow, and with the Secretary's support, that provision could very well be included therein.

Even without the Secretary's support, that provision could very well be included therein.

Even without the Secretary's support, we could possibly provide a waiver to any provisions that might restrict that amount of funds being supported.

We all know in the Congress that it takes leadership in order to provide a solution to a difficult problem. It will not happen in a void. It will not happen in a vacuum. It is going to take the initiative of the Secretary as well as members of this committee and those interested in the farm community to provide that momentum that is necessary.

We are not getting it from the White House. We are not getting it from the Office of Management and Budget. We must get it from the farm community.

The Secretary's help is needed.

Secretary BLOCK. We are just going to have to have an administration decision on that. As you know, the Secretary of Agriculture cannot make a unilateral decision on an issue like that.

Mr. ALEXANDER. Mr. Secretary, I sympathize with your position. But your leadership is needed. I am not bound by the administration. You are.

I am saying that for the good of the American farmer, even if the administration's farm policy constricts the Secretary, you need to speak out on this issue even if it is in the forum of the administration to say that the administration is wrong. We need these funds to provide exports for the products that are bottlenecked in this country. Your voice is needed in order to provide the leadership within the administration to get this job done.

Secretary BLOCK. I assure you, Mr. Congressman, that within the administration, I will be fighting for the farmer.

Mr. ALEXANDER. I have not heard the Secretary fight for the farmer within the administration. I have heard you apologize for the administration time and time again.

I have seen other people in your position over the years. I sympathize with your position, but I am saying that you need to wage a stronger fight because more can be done.

Secretary BLOCK. Most of those fights are behind closed doors, as they should be. I would say this much. There were 13 budget issues that I did not sign off on. I took them to battle with the Budget Review Committee and fought them out.

I think we did rather well. All I can say is that we do not give up easily. We stay right with it. But we do not win them all.

I am not sure that this is one that has to be won. There may be more important battles to be fought. Maybe the trade agreement with the Soviet Union is more important. Maybe some of the others are more important.

It is a process of fighting to get done what is important and prioritizing. It is part of the game.

Mr. ALEXANDER. I understand that.

I have one more comment, Mr. Chairman.

When you leave Washington and return to Illinois, and you reflect on your days in Washington, I submit to you that one of the regrets that you will have is in not taking public issue with the administration on the question of this revolving fund to provide credits for exports overseas. You will regret the day that you have not taken issue with this administration on this question.

Thank you, Mr. Secretary.

The CHAIRMAN. Mr. Secretary, if I might, is there anyone from your department traveling with the President in Europe?

Secretary BLOCK. No, there was no one from my Department traveling with the President. There were two Departments represented in Europe. One was Treasury, and, of course, the State Department.

The CHAIRMAN. Did you, or anyone from your department, brief the President?

Secretary BLOCK. I briefed the President before he left. We had an extended discussion about our relationship with the European Community and their trade practices. We had a discussion about the situation and our trade relationships with Japan. The meeting was held in the context of the National Security Council, including Mr. Clark, including certainly Secretary Regan, and Secretary Haig. The additional representatives were myself, Secretary Baldridge, and Trade Ambassador Bill Brock.

The CHAIRMAN. I wish you could have gone along. It is regrettable that we send the enemy with the group, Secretary Haig. [Laughter.]

You may quote me on that. [Laughter.]

Maybe the media does not report all facets of the deliberations—certainly nothing was reported about agriculture.

Last night they kept speaking about reduction in NATO and challenging Mr. Brezhnev to appear on television. I do not know what he could tell us about agriculture. [Laughter.]

Secretary BLOCK. That is a fact.

The CHAIRMAN. I do not think that the President, with Mr. Haig advising him, is going to do much good for agriculture when he visits over there.

But that is just an aside.

With all due respect to my colleague from Arkansas, I would like to state that to my knowledge, during the encounters within the

inner sanctums of the administration, Secretary Block has always stood up for agriculture.

To that I can attest. I would, though, agree with my colleague from Arkansas that many times being a team player can eventually bring the team down.

If the Secretary would see fit to take issue with them publicly, I think he would receive the gratitude of the American farmers forever.

We just cannot sit here, Mr. Secretary, and hope or say that it will be all right.

Mind you, I still have the scars from the 1981 bill and the two votes that we managed to pass it by, but I do not know if it is working or not.

At one point I said it was not working. I tried to convince myself that it is working. But as I travel throughout the country, all I hear is the plea of the rural sector or the farm sector that something needs to be done.

It reminds me of that old saying: "Do something even if it is wrong."

We need to send a message to them that we in the Congress care—and this is what this farm crisis group is about. The proponents of this legislation came to me and they met with my blessing.

The only caveat I gave them, Mr. Secretary, was: "Do not go and do something just to throw money at it. We cannot do that. Do not go and do something that will give the American farm sector false hope."

I think they have done fairly well within that caveat and in fact move toward saving money on the budget.

Another concern that I had and my dear colleague from Virginia has expressed concern on this, is that we not go to the floor and open up the whole farm bill.

Both the gentleman from Virginia and I agree and have concluded that we will avoid any procedural opportunity when we go to the floor that will open up the Agriculture and Food Act of 1981 to amendments.

I have too many scars already. I do not want any additional ones.

But if we can somehow, within the art of the possible, which is my definition of legislation, come up with a bill that, even if all it does is to give them nothing but hope, then I think we have done something for the American farmer.

Finally, let me say that I regret—and I know you did not mean it in that context, when saying that all of this is for politics—because members of any one party can be as different in ideology or philosophy and can argue in disagreement.

I do not know that I am quoting correctly or not, but someone in my area once said this. I liked it because I think it means exactly that.

"Politics is the art by which people in a democratic society govern themselves, provide for their needs in common defense, through their elected representatives."

If we take that definition, and you accuse us of politics, I very proudly accept that, Mr. Secretary.

Mr. WAMPLER. Mr. Chairman, if you will yield, I would like to say this.

I want to join the Chairman in his general observations. Mr. Secretary, I believe you have been an effective Secretary of Agriculture. I have said this publicly.

If I were to single out any one achievement under your leadership, it would be the fact that I think it was largely due to you and no one else that we saw the grain embargos lifted.

You may recall that these were imposed by not this President but a previous President of the United States. I think that has as much to do with sending the message not only to producers in this country, but to our customers throughout the world, that indeed we were going to try to be reliable suppliers.

You know we have suffered from these previous embargos that have been imposed by administrations under both political parties. I know it was because of your persistence and your persuasiveness—and I am privy to some of those meetings and I know what I am talking about.

I want to commend you for it.

You and I have not always agreed. I want to join with what the gentleman from Arkansas said. We want to work together in a bipartisan way to get this export credit revolving fund in place.

I indeed think it is one of the immediate solutions that can be effectuated in getting this 1982 crop moved into consumption.

I want to commend you for what you have done. Again, I have not always agreed with you. I do not suppose we will always agree on everything, but I do want to commend you for the leadership that you have shown in this area. You should be commended for it.

Secretary BLOCK. Thank you.

The CHAIRMAN. The time of the gentleman has expired.

Mr. Stenholm, the distinguished gentleman from Texas, is next.

Mr. STENHOLM. Thank you, Mr. Chairman.

In light of your previous comments, Mr. Chairman, and in looking at the job we have tried to do in putting together the Farm Crisis Act and in trying to live within the budget and in trying to do those things we all agree are necessary, we have done so well that the Secretary says we lack commonsense.

That is pretty tough for me to take as a farmer, too. You come in and say that I lack commonsense in the approach that we take because I differ in a small way, philosophically, with you and with this administration in regard to agricultural policy.

I want to ask you two or three questions, Mr. Secretary.

Are you giving John Deere and International Harvester and others the same advice that you are giving to our farmers to rehire their employees, put them back to work, build those tractors, store them out there because a year or 2 or 3 from now, if you do not do that, we may lose a market?

Are you giving them that advice?

Secretary BLOCK. No, we really are not giving them advice. The advice we are giving to the farmers is to participate in an acreage reduction program this year to bring down our production.

That is what our suppliers, our implement dealers, are doing, too.

Mr. STENHOLM. In all due respect, you never did answer Mr. Daschle's question. You are saying in this testimony—and I will refer to your own words: "We have taken time to analyze the rami-

fications of this legislation and our conclusion is that it is just plain bad policy."

Why is it bad policy to allow farmers to vote in referendum to say whether or not they do, in fact, want to do what John Deere and International Harvester are having to do if they are to stay in business?

Why is it bad policy to allow farmers to vote on that? I am not saying it will be wrong. I am not even saying whether the farmers will vote for it or will not.

I do not draw that conclusion. You seem to be drawing that conclusion. Then again, I want to ask the same question: Why is that bad policy to allow farmers to vote in the democratic process under the best principles of constitutional government in this country to say whether or not they want to take a chance on losing an unprofitable market?

Secretary BLOCK. When I talk about bad policy, I am talking about that policy in the context of most of the bill.

I have gone over the parts of it that do not look as though they make a lot of sense. The first problem is to think that we can alter this year's participation or production.

Mr. STENHOLM. We agree to that. We are going to take it out of the bill.

Secretary BLOOK. But that is part of the bill.

I was commenting on the bill. So that is part of my comment.

The next step is the referendum. Part of that referendum consideration is that I really do not feel farmers will support a referendum. I do not feel that farmers want to lock themselves into a program that ultimately would tie them down for 3 years.

I also feel that farmers really are going to act on a year-to-year basis and not on a longer term basis like that. It is a complicated plan.

If the referendum fails, there is another mechanism written in there that tells us what happens. The details are unclear—I am not going to try to state them.

Mr. STENHOLM. Mr. Secretary, I understand that problem. But again we have not begun markup. What we are trying to do is to see if there cannot be a bipartisan consensus developed to begin solving the problem.

That is what we are talking about. The gentleman from Arkansas' question on the budget is there. It depends on whether we have the resolve to do it or not.

According to the CBO projections, in 1983 and 1984, we can fund the $1 billion export revolving fund. We can do the other things in this bill and save $1.3 billion.

Before you say you have questions with the CBO numbers, let me remind you in the budget deliberations that I have been in on with members of this administration over the last 5 days, we have used CBO numbers. We have all agreed on that. So if they are wrong here they are also wrong in the budget that we are taking out.

I am not saying they are right or they are wrong. I am just saying that in the budget process we are using them and here is where I agree with you. In fact, I do not disagree that much with you, quite frankly.

Except that small percentage of disagreement happens to be the whole ball game. I just do not believe we can pursue this blind faith in the free market that you are obligated to pursue under the administration that you work for without having us come back here a year from now and dealing with some awfully serious economic problems in agriculture.

Mr. LESHER. May I address this?

I have worked on the cost estimates. We hope to get them up to you by Friday.

Just to be very honest with you, it has been very difficult for us to analyze the bill. It is very mechanistic.

You have to make some assumptions about whether referenda pass or not, and how many people are going to opt for the additional diversion, and if the referendum does not pass, how many opt for the higher loan rate with the increase.

The assumptions you have to make go on and on.

No one in the whole world can look into the future for 4 years with a bill like this and determine the costs.

What we do know is that in fiscal year 1983 the costs will be up. Both CBO and USDA think that is true.

Any cost savings will come in fiscal year 1984, fiscal year 1985, and fiscal year 1986.

We have some differences with CBO on those cost savings. We still may come in with $100 million or $200 million in savings.

It depends a lot on what happens to weather and economic conditions, and a lot of other things. But what concerned us about concentrating on the costs beyond fiscal year 1983 is this.

As you know, Mr. Stenholm, I was up here for weeks on end during the farm bill. We went over cost estimates. I estimated the cost of the farm bill in fiscal year 1982 at $1.8 billion.

We stuck with that early. It was based on August numbers. Things have deteriorated and we are now going to spend $11 billion on it.

I am not going to ever get caught again trying to make these cost assumptions and stake my reputation on it. It just cannot be done.

So what I am saying is this. This legislation will cost more in fiscal year 1983. There may be some savings in fiscal years 1984, 1985, and 1986.

We do not know for sure. But you should not put too much stake on it.

Mr. STENHOLM. My time has expired.

Let me just say that I could not agree more with you on that. And that is the world we have to live in. Yet it just does not make sense for you to come up here and say: "I really do not take stock in it."

Then, at the same time, we in the House are trying to meet a budget requirement. We have to play with the same rules in both ballgames.

You are up here saying we have to use different rules in agriculture than we do everywhere else. That will not wash.

Mr. LESHER. We will come up with some estimates. We will share them with you and will share our assumptions with you.

It is from there that you can go. This is just to let you know that when you talk about these things, it is by no sure-fire method that we are going to have the right answers.

Mr. STENHOLM. Mr. Lesher, just remember that I disagreed with you last year on the numbers. I said you were dead wrong and you agreed that probably you were at the time.

It is not going to work.

The CHAIRMAN. Mr. English.

Mr. ENGLISH. I just want to ask the gentleman from Texas this. Surely he was not implying the administration's farm program is a free market program?

Mr. STENHOLM. If I said that, I would absolutely want to clear the record.

There is nothing free market oriented about this agricultural program and about the world free market. It is a cruel hoax on agriculture and farmers for the reporters who are gathered here to continue to talk about free market oriented agriculture.

It is a cruel hoax to be talking about this proposal that we are talking about that it is going to cost more than what the administration is asking us to do.

Mr. LESHER. But it is an especially cruel hoax on farmers to tell them year after year after year, cut back, cut back, cut back. This is the answer to your problem.

That also is a hoax, Mr. Stenholm.

Are we not the most efficient farmers in the world? You know your Texas farmers are efficient and farmers across this Nation are efficient.

For us to shrink from this is wrong. I think we have to address that issue also in this discussion. We may differ.

The CHAIRMAN. Following the usual order, I will call on Mr. Stangeland.

Mr. STANGELAND. Thank you, Mr. Chairman.

Welcome, Mr. Secretary.

Let me say at the outset that I am a cosponsor of the Farm Crisis Act, but I share the concerns of the ranking Republican, Mr. Wampler, and our Chairman, Mr. de la Garza, about bringing this bill to the floor.

Let me say that there is a crisis in agriculture. We have farmers who own their land and have owned it for years and who are not leveraged heavily in debt and who apparently are doing fairly well.

Then we have farmers who are leveraged and who do not know they are in trouble, but they are, and then we have a lot of farmers who know they are in trouble.

We just are going to have to do something to assist agriculture. One of the problems we have—and we discussed the free market. We discussed the concept of supply and demand. But in agriculture you just do not have control over that supply to create that demand. That is our problem.

I find farmers constantly coming to me. It is surprising. They tell me that the set-aside should be mandatory.

Let me tell you why they say that. We have had an excellent signup and the intent of setting aside. I am concerned about how many certify. Unless we get a good deal of certification, we are not going to have any impact on that market. I think that is the key.

I see nothing wrong with letting farmers vote to determine a referendum, a mandatory referendum. We, as a Congress, and you as a Secretary cannot allow a mandatory referendum.

But I think we could give the farmers that option. The farmers will participate in this set-aside if they believe that all farmers will participate.

But their concern is that enough of them will participate. Put some upward pressure on the market and then the man who plants fence row to fence row profits while that farmer who participates only profits 85 percent.

The incentives that are in this program just do not look to be adequate enough for them to do that. I talked about increasing those incentives so that the farmer who does participate benefits.

I am sorry that we could not come to an agreement and get that kind of a job done.

If anybody questions the fact that there is a problem in agriculture they only have to look at the past history and the recent past history.

I pointed this out to your USDA economist a year ago. Nine years ago the total assets of agriculture were $666 billion. Today they are over $1 trillion.

But you put an 8-percent escalator on that $666 billion, and you will get to $1 trillion. So our asset increases are inflation assets that do not pay bills. They do not pay notes at the bank and they do not pay capital costs. They do not pay increases in production costs. At the same time the debt was $90 billion 9 years ago and today it is approaching $200 billion. That says we are in trouble in agriculture.

The industrial might of this Nation can control production and thereby create demand and hold that price up. International Harvester, John Deere, and many of the major farm equipment manufacturers, the automobile dealers, cannot sell for less than the cost of production. Neither can the farmer for very long.

We need a mechanism in agriculture to help control that supply. The set-aside would do it. But this mandatory set-aside voted by the farmers certainly would.

I think you would find a massive participation in a vote on that issue. I think you would find massive participation in the set-aside if it were made mandatory.

My concern is that we will not have the participation. I hope that we do. I hope we have a good deal of that set-aside acres certified.

I do not have any particular questions. I just think that we have a problem in agriculture. Those of us who are trying to resolve it are trying to get out of our heads and are trying to convince the press and our urban Congressmen and colleagues that the price support loans are not direct outlays of Government.

Certainly they show as outlays in one budget year. But price support loans are loans borrowed to a farmer to help him with his cash flow. He pays that money back with interest.

Those should not be considered as the generosities of the Federal Government to agriculture, but rather an attempt to help agriculture market in an orderly fashion their production.

I think we ought to be selling and stressing the benevolence of agriculture to the consumer of this country. There is a tremendous supply of high quality food constantly. I have said time and again that the only time that the consumer of this country is going to totally appreciate agriculture is when those grocery shelves go empty.

The American farmer is not going to let that happen. In the meantime, we see farmers in financial trouble. It is virtually impossible for young farmers to get started unless they have a tremendous amount of help.

Somehow or other we are going to have to, through policy, legislation or whatever methods and means that help that farmer be able to amortize his investments and his debt and be able to see the light at the end of the tunnel that those increased assets turn to a productive fashion so that he can retire or manage that debt.

Maybe he cannot retire that debt, but at least manage it. That is a responsibility that you have as a Secretary. That is the responsibility that we have as a Congress and the people who represent agriculture.

If you would have any comments, I would appreciate them. I am concerned, very concerned.

As the chairman pointed out, I have a poll out in the district that says anything I do down here now is all political based on the failure of that 1981 farm bill.

It was not the failure of the 1981 farm bill in this economy. We suffer in my area with a dock strike that went on from July until September when we could not ship grain out of the port of Duluth. It was very essential to us.

But we suffer with a 1980 embargo on grain and then a year of excessively heavy production. We have another year coming on.

Something has to be done to help those farmers control that supply. I think it really is unfortunate in the long run as well.

With the hunger that we have in the world, we are talking about holding down production. We ought to be producing to help feed. We have to talk about holding down production.

But we also have to worry about the economic viability and health of American agriculture.

I thank you, Mr. Chairman.

The CHAIRMAN. The time of the gentleman has expired.

Mr. Dorgan.

Mr. DORGAN. Thank you, Mr. Chairman.

Mr. Secretary, I want to join a couple of other colleagues in saying that I think the tone of your statement is ill-advised and in the style of pure politics.

I know of your schedule later this week and of other activities over in the Department.

But I would like to concur with Mr. Lesher that numbers are difficult to deal with. To illustrate that, let me read from your statement a year ago before this committee, Mr. Secretary.

You talked about the net farm income picture and how it was improving this year. You said: "The projected level of $27 billion to $32 billion of net income for calendar 1981 is about one-third above the 1980's."

The fact is that we did not miss that by a little. We missed that by a lot. It is not your fault. We missed it.

Then you said in the same appearance: "The actions I am announcing today are consistent with two of this administration's central goals for farm policy. One is to remove some of the risk from farming and the second is to assure that the agricultural exports which will become vital will continue to expand."

The fact is that we failed on both of those goals. It was a colossal failure. Farmers are at greater risk today than they have ever been in this country's history. That is No. 1.

No. 2, exports are decreasing, not increasing.

That is not your fault either. But the question is: What are you doing about that failure? I hear a lot of faith healing coming from the mouths of people who say: "Well, we have set in place a program. It is a program that will work if we are only consistent."

I find very little virtue in consistency if consistency means being consistently wrong.

We have proposed a program. You have come to the committee to say that it is ridiculous, it is ill-conceived and so on.

We are suggesting that we think we ought to be doing something about this problem.

You instead have told the New York Times that farming as a whole is not in as much trouble as the public has been led to believe.

What are you doing about the situation?

Secretary BLOCK. Let us look at the whole agricultural economy and not just focus on one or two parts of it. Let us look at the whole thing.

You said that last year we were predicting $27 billion.

Mr. DORGAN. It was $27 billion to $32 billion.

Secretary BLOCK. The whole economy has suffered since then with high interest rates and all the other problems. We are trying to work our way out of that.

But I recall about 2 months ago there was quite a bit of talk about $13 billion as this year's net farm income. But now there is a great amount of talk that it may be up around $19 billion or $20 billion. It seems as though it moves all over the place.

Mr. DORGAN. Are you predicting that?

Secretary BLOCK. No, there is no official projection of net farm income. But the whole point about the net farm income is this. Agriculture has improved. It is better than it was a few months ago.

The livestock industry is doing rather well. In fact, keep in mind that the livestock industry represents one-half of our gross farm income and that is cattle, hogs, dairy, and sheep.

Some of the grains are better than they were, some of them are not. Fruits and vegetables are in pretty good shape.

We are really focusing on the grain industry. That is where our problem is, and on cotton.

We will take a look at what the farm program has done there. The farm bill that we passed last year has enabled us to absorb a great amount of that product into the reserve program for wheat and feed grains. It is going to be released when we see stronger prices and see the world economy turn around.

Mr. DORGAN. Mr. Secretary, you are not answering my question. I do not want a chronology of what has happened. I am asking you this: What are you doing?

Secretary BLOCK. What I am doing is precisely following the blueprint of the farm bill that was passed. It has provided for taking grain under loan and loaning out $6.5 billion more this year to farmers than we loaned out last year.

Mr. DORGAN. Mr. Secretary, what is happening to the price of grain while you have been following this program?

Secretary BLOCK. The price of grain has been generally down and then back up slightly.

Mr. DORGAN. Let me ask you another question, Mr. Secretary. You proposed another set-aside program. Did you personally participate in the set-aside program?

Secretary BLOCK. No, I did not.

Mr. DORGAN. Why not?

Secretary BLOCK. I am not allowed to participate because I signed an ethics oath when I came into office which prohibits me from participating in or being a benefactor of any farm program.

Mr. DORGAN. Let me join some colleagues who have been critical of you saying that it is absurd that the Secretary of Agriculture announces a set-aside program for which there is no incentive, by the way, and then refuses to participate in it.

Do you not stand to benefit if the set-aside program works?

Secretary BLOCK. Can you imagine the kind of press I would have gotten had I benefitted from my own program?

Mr. DORGAN. Do you stand to benefit if the set-aside program works?

Secretary BLOCK. Not very much, because I will not be able to participate in the farmer-held grain reserve. I will not have any benefit from the loan program.

I used all these programs before I became Secretary of Agriculture. I had to give them up.

Mr. DORGAN. I am not suggesting there is any impropriety involved. I am just saying there is some leadership involved.

I think you have made the wrong choice. I think if you want to provide leadership for a set-aside program that will work, not signup participation, then it seems to me that you act the way you would like other farmers to act and join the set-aside.

My colleague from North Dakota in the other body was critical of you. I would like to join that criticism. I wholeheartedly agree with that criticism.

I am not trying to lay on your back all the failures of the farm economy. I have not suggested that. I am saying this. We have suggested something that we think might have a chance to do something decent about it and you are saying: "No, we do not like that; it is political and ill-conceived."

My question is: What are you doing? The answer is: Nothing. You are waiting for the program to grow, the seeds of which you sowed last year.

Secretary BLOCK. May I suggest that the Congress change the law so I could participate.

The CHAIRMAN. The time of the gentleman has expired.

I recognize the gentleman from South Dakota, Mr. Roberts.

Mr. GLICKMAN. Mr. Chairman, may I inquire as to what the Chair's intention is on time?

The CHAIRMAN. I have been advised that the Secretary could remain with us until about 1:30 p.m. He has a 2 p.m. meeting.

Mr. GLICKMAN. May I ask how many more members there are?

The CHAIRMAN. As many members as there are present are still to be heard.

The Chair has a commitment he must keep in about 15 minutes. In order to accommodate the members and the Secretary, the Chair would yield to whichever member is available to continue with the hearing and allow the Secretary to leave on time and all the other members to have their time.

Mr. GLICKMAN. Is the Chair looking for volunteers to Chair?

The CHAIRMAN. The Chair always has the opportunity to find a volunteer. [Laughter.]

The gentleman is invited if he would like to preside. He gets to speak when his turn comes.

Mr. Secretary, if I might, I apologize tremendously but I have committed myself to address a group next door.

I was a little concerned with Dr. Lesher's statement. We suffered through that whole farm bill. Dr. Lesher, you kept insisting how you did not have all those doubts about your accuracy when we were telling you it was going to cost more.

Mr. LESHER. Mr. Chairman, I think every time, before I spoke, I always said: "You know how economists are on this, on this hand and on the other hand."

The CHAIRMAN. You always kept telling us what OMB would not accept and what your assumptions were. I never saw you nod affirmatively for 3 weeks. [Laughter.]

We kept telling you what was going to happen. I know your constraints from OMB.

Mr. Secretary, I say this somewhat facetiously, but since you have been Secretary of Agriculture, the highest climb has been in hogs. [Laughter.]

They are $10.25 per hundredweight over the same day last year.

Secretary BLOCK. You have to start somewhere, Mr. Chairman.

The CHAIRMAN. This is the previous year, same day, yesterday, Tuesday.

Wheat, hard wheat, was down 24 cents; corn was 59.5 cents down; soybeans were 87.5 cents down; cotton was 17.9 cents down; hogs were up $10.25.

Steers were up from last year $4.13, but they have been coming down. They went down 75 cents yesterday. Sugar—well, we will not even mention sugar. [Laughter.]

I have a chart here with the computerized listing. This is the annual change in dollar value of agricultural exports from 1977.

You can see how it goes up. This is 1980; down in 1981 and now we are below. We are $1.3 billion below on exports for 1982.

If you take the net farm income, the red line is the actual income. The black line is $67, in value of dollars in 1967. In 1982, we are down to about $7 billion in value of 1967 dollars.

If I might take this opportunity, a distinguished colleague from your State, Paul Simon, has introduced legislation that would disseminate this information.

Why do you not want to disseminate the information that you have concerning farm income? Mr. Lesher, you offered this. I keep hearing complaints about why you are not giving that information out. Is there any specific reason?

Secretary BLOCK. After August, we are going to give it out.

Prior to August, the projection has fluctuated too much. Earlier, some people were talking about $13 billion to $15 billion. I think it is more than that now. It changes from month to month. It may change again by August. I do not know.

The CHAIRMAN. You want to give it when it is favorable?

Secretary BLOCK. No, we have set a time. We are going to give it out in August, whatever it is.

The CHAIRMAN. We may have a hearing on Mr. Simon's bill. Maybe we can entice you to give it earlier. If it is bad, it is bad. If it is good, it is good.

Mr. LESHER. Mr. Chairman, I think the Secretary has been criticized on this when, in fact I have had more to do with it than he has.

The CHAIRMAN. Then we will criticize you. [Laughter.]

Mr. LESHER. I think that I am probably the appropriate person to criticize.

The CHAIRMAN. Why do you not want to give it out?

Mr. LESHER. It is not that we do not want to give it out. Look at the kinds of numbers the Department proviously put out—and we put out lots of numbers and lots of reports—half of them really did not have a sound basis.

If we make assumptions on interest rates and on other things and we miss interest rates by 1 percent on all the farm debt outstanding, net farm income changes $2 billion in the opposite direction.

With those kinds of variations going on, to make a prediction over a year ahead of time is just putting out a number that cannot possibly be accurate.

Farmers do not need to know a net farm income projection to know that they are hurting right now, especially the grain sector.

We cannot make a net farm income projection that has any kind of statistical validity until we get the August crop report. That is the first good report we have on corn, for example.

We will be finalizing, Mr. Chairman, the 1981 estimates in September because so many things change.

The CHAIRMAN. Do you not make actual reports, not looking into the crystal ball for the future? Do you not make accurate farm income statistics available?

Mr. LESHER. Yes, sir, Mr. Chairman. In September we will publish an actual figure for 1981. At the same time we will publish a projection for 1982.

The CHAIRMAN. I was reading Popular Mechanics. I do not look like a fellow who reads Popular Mechanics, but I do. [Laughter.]

There was an article in this latest issue about a laser beam that can measure up to—I did not even know such a thing existed—sempto-second, which is one-millionth of one-billionth of a second.

Mr. ENGLISH. Are we on the Simon bill? Or are we on the farm crisis bill? Which one are we on at this point?

The CHAIRMAN. The Chair is bouncing around because he has to leave here. [Laughter.]

The members know the regular order.

The Chair apologizes for taking this time, but I think the Chair should have some prerogative of asking questions now and then, but in order to accommodate a member, we will continue with the regular order.

Next in line is the gentleman from Michigan, Mr. Albosta.

Mr. ROBERTS of Kansas. Point of order, Mr. Chairman.

I thought the Chair had recognized Mr. Roberts from South Dakota prior to his discussion.

The CHAIRMAN. I am sorry; I went ahead of you.

Mr. Albosta will follow Mr. Roberts of South Dakota.

Mr. ROBERTS of South Dakota. Thank you, Mr. Chairman.

I have never had any problems with your fairness. You do an excellent job.

I would at this time like to correct the record. My good friend from North Dakota, Congressman Dorgan, mentioned that with this 15 percent set-aside that I have signed up for, there is no incentive.

That is incorrect. By signing up I increased the potential of a $3.55 loan on wheat to $4.07. So it certainly is an incentive and one that I could not afford to not enter into.

If I might, I would like to speak this morning as a farmer. I appreciate you, being here, Mr. Secretary. I remember over the many years I have been involved in agriculture that we have had very few Secretaries of Agriculture that the farmer likes.

They come to like them after that Secretary is gone and there is a new one in place. They say: "Well, he was not too bad compared to what we have now." [Laughter.]

I certainly am in opposition to mandatory controls. I just do not like them and certainly would vote against them.

Mandatory controls are very difficult. I remember back a number of years ago when each farmer had an acreage allotment and even a marketing card.

You had to have a marketing card even before you could sell your wheat. I did not like that.

I believe we have to reduce production, as does the Secretary. Everyone in this room understands that if we are going to get a better price for our product, then we must reduce production.

But I certainly believe that the Secretary has taken some steps in the proper direction. I know I was one of those who pushed for the 15 percent voluntary set-aside.

The incentive helps. It is not enough and I think the Secretary understands my feelings on that.

But it will work. I am using it. My neighbors are using it. To think that we would go out on the farm now and destroy wheat that is waist high and 20 days away from harvest and receive $2 a bushel for half of our acreage allotment is rather ridiculous. I understand it has since been suggested that we not implement it on the 1982 crop.

I am glad to see that has been resolved.

I think the set-aside is working. I think we need to go further, but with a voluntary set-aside. I think Mr. English had some good legislation earlier that I was certainly responsive to.

It did provide the incentive to reduce production. It certainly was a step in the right direction. We did not win on that.

I have been involved in agriculture for 47 years, 27 as an operator myself.

I produced a film not too many years ago, in 1977, telling the story of agriculture from homestead days right on up to the current days. The theme of that film was "All we ask is a fair return." That is all we ask in agriculture.

I think most of us in agriculture do not want to be held back by mandatory controls that make us all comply or otherwise be completely out of the program. Then we certainly could not compete. So the set-aside is very mandatory. You practically would have to participate. Whether you liked the controls or not, you would have to comply.

Another thing that we talked about in the film, and I think it is what is killing agriculture today, was the simple statement: It is a mighty long way from the farm to your table.

This country does have the cheapest food in the world. We are very thankful for that. Yet, what the producer receives and what the finished product brings, are a mighty long way apart. There is a lot of difference there.

I think these are some of the areas that we have to address. I think this administration has begun to do that, by reducing inflation.

We have seen inflation reduced considerably. I talked with my agriculture people, and they know that their product will bring a better price when people have money in their pockets so they can buy products, whether it be beef, pork, grain, chickens, or what have you.

They also understand that one of the most critical areas affecting agriculture, the homebuilders and all America is the interest rates.

We know that we cannot continue in that direction. It is impossible.

I think that while we in Government are all well meaning in our attempts to improve the conditions of agriculture, in most instances we have been the problem rather than the solution.

I honestly believe that. It is kind of amazing that the two segments of agriculture that have rebounded out of the depth of depression are in the livestock industry—pork prices, cattle prices. They are where agriculture is making a profit.

Yet we see our grains at a low, low price. They are controlled by Government.

I am going to close with just one thought.

We have a lot of problems in this great country. We hear considerable talk about a depression and a recession. I am not sure what the difference is.

But I just do not think that mandatory controls is the proper approach. I would suggest that if it is, it is amazing that the homebuilders have not brought this about, the implement dealers, the airlines.

I cannot imagine them with a 15-percent mandatory set-aside, doing away with 5 percent of those homes. I cannot imagine them, in fact, having a quota on homes or how many airplanes they could have or how much machinery they could build.

I do not have the answers. I know agriculture is hurting. I think all America is hurting. The most responsible thing we can do is address the deficit that we are faced with.

Thank you, Mr. Chairman.

Mr. GLICKMAN [acting chairman]. Thank you.

Mr. Albosta.

Mr. ALBOSTA. Thank you, Mr. Chairman.

I want to thank Secretary of Agriculture Block and Mr. Lesher for being here today. I think even though I disagree very much with you, Mr. Block, in your position on this particular piece of legislation, and particularly when you would say that this committee was politically motivated, I think everyone in Washington, to some extent, is politically motivated. I think it is for one particular piece of legislation or another. This really makes no sense at all to me. I think it is a discredit to the integrity of this committee to have you say that.

I would hope sometime along the way that you would check on those people who are giving you advice and hopefully correct them in ever getting you in such a situation again.

Let me get on with a few questions because I think it is very important that I get some answers to some of these.

There is one other statement that I think is important to this whole piece of this legislation and this crisis in agriculture.

That is the number of Congressmen I have seen testify here this morning. I cannot ever recall that I have ever seen a piece of legislation up before a committee that had so many Congressmen testify before.

I think it was seven Congressmen who testified here this morning who do not sit on this committee and had an interest in what was going on out there with this problem with agriculture.

So I think that is very important.

But I also find it very hard to believe that you would be against the referendum section of this bill. Simply everything that belongs to this country and its system is designed around the public being able to vote on things.

I cannot conceive how you would believe that the farmers are not intelligent enough to be able to make the decision of whether or not they want to set aside part of their production so that they can orderly market the commodities that they produce and at least get a fair price for it.

That is inconceivable to me as to how you would find that objection. I just do not know.

I have heard some of your answers today and I will not get into any details on it because I think it is immaterial at this point in time.

Let me ask, Mr. Secretary, this. You have made several trips overseas. I believe that you sincerely believe that we can solve our problem with more exports. Obviously you have not been very successful in being able to promote the sale of any more agricultural commodities.

Do you see in the near future any increases in the amount of agricultural commodities that will be sold for export out of this country?

Secretary BLOCK. Yes, sir; I do feel that the future in exports is a bright future. I would concede that we are at a plateau right now with about the same level of total exports in terms of volume. There is some decrease in total value because the price is lower.

But I do not feel the overriding fundamentals have really changed. During the 1970's we had a booming export growth business.

I feel the countries around the world will participate in another growing demand for our products. But our problem has been hinged primarily on the world economy and U.S. economy and all these factors fitting together.

The dollar is so strong relative to other currencies. Our products, even though they are low priced here, are costing 30 percent to 50 percent more in other countries than they did a year ago.

Interest rates are higher. But all these problems are not going to stay around forever.

Mr. GLICKMAN. Mr. Albosta, would you yield for a moment?

We have two bills now. It may be that we will have two votes in a row. Mr. Secretary, we have Mr. Coleman, Mr. Huckaby, Mr. English, and myself who have not asked questions, together with the completion of Mr. Albosta's questioning.

If we have two votes in a row, we are talking about 1:15 before we get back. How late can you stay?

Secretary BLOCK. You said you would be back by when?

Mr. GLICKMAN. At 1:15 p.m. What I am saying is this. Can you stay to 1:45 p.m.?

Secretary BLOCK. I will make it a point to do that.

Mr. GLICKMAN. You may proceed, Mr. Albosta.

Mr. ALBOSTA. Mr. Secretary, I personally think there is no one here who tries to observe any more than I do what we possibly could do to increase our exports.

I do not really see very much. You talked about the Soviet Union perhaps being able to produce wheat better than they could and feed grains. But the fact remains that an animal can fatten up on wheat just as well as they can on feed grains. If the Soviet Union has a good crop and does not need our feed grains, what in the world are we going to do with these mountains of commodities?

What is the next move from here? What do we do in 1983?

Secretary BLOCK. The short-term situation right now is really in the hands of Mother Nature. I was in Canada recently and talked with the Minister of Agriculture. I talked with the Minister of the Wheat Board. I pointed out that we are trying to cut back production and they are increasing production. I encouraged them to cooperate with us in reducing excessive supplies.

The United States then would not have a reduction program while Australia, Canada, and the other countries just come in and take up the slack.

I concede that Canada cannot do it alone, but together all these other countries can.

Mr. ALBOSTA. That is probably true. But Canada has a totally different marketing system than we do. They have a Wheat Marketing Board. They set their prices better than we do.

Mr. Chairman, I would ask unanimous consent to ask just one more question. I think it is very important.

The Secretary can tell me whether or not he will furnish me with some information.

Mr. GLICKMAN. Ask your question, Mr. Albosta.

Mr. ALBOSTA. Would you furnish for this committee this? For the last 1½ years, the subsidies that we have given to the Soviet Union and the purchases of our grain to them—would you provide that?

Base the cost of production from three major universities in the country, less the price, whatever we paid and the difference between that is what I would like to have you come up with.

I would appreciate that for the last 1½ years.

Secretary BLOCK. We will be glad to do that.

Mr. GLICKMAN. Without objection, so ordered.

[Material to be supplied follows:]

SOVIET UNION WHEAT AND CORN PURCHASES FROM THE UNITED STATES: COMPARISION TO FARM PRICES AND COSTS OF PRODUCTION, 1979 AND 1980

[Dollars per bushel]

Item	1979		1980	
	Wheat	Corn	Wheat	Corn
Soviet Union: [1]				
Average annual value adjusted for transportation to U.S. farm level	3.74	2.65	4.67	3.32
Farm prices: [2]				
Quarters:				
January to March	2.95	2.38	3.68	2.65
April to June	3.25	2.63	3.44	2.68
July to September	3.78	2.90	3.75	3.23
October to December	3.89	2.59	4.10	3.42
Calender year average	3.47	2.63	3.74	3.00
Production costs: [3]				
Variable	1.27	0.96	1.76	1.36
Total, excluding land	2.58	1.50	3.17	2.10
Total, including land [4]	3.43	2.04	4.54	2.84

[1] Unit value of imports by the Soviet Union from the United States. Data taken from United Nations trade statistics; transplant and handling add 18–20 percent to unit value of Soviet Union.

[2] Hard red winter wheat, Central and Southern Plains; corn, cornbelt.

[3] Costs reflect U.S. cost of producing hard red winter wheat and Lake State-Cornbelt cost of producing corn; yields for wheat were 34.2 and 33.4; yields for corn were 109.7 and 91.

[4] Includes the composite acquisition land charge.

Mr. GLICKMAN. Mr. Coleman.

Mr. COLEMAN. Thank you, Mr. Chairman.

Mr. Secretary, I guess you make a good punching bag because there have been a lot of people who have taken pokes at you today. I am glad to see that you are doing your usual performance of being honest and forthright. I am not going to take up all my time so maybe some of my colleagues can get their questions in before this vote.

I don't want to speak to you, but I want to speak to the White House. It seems that the perception down the street is that the so-called revolving fund bill is some sort of bail-out. Everybody at the

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White House has the mentality, that every bill is a bail-out, and they are opposed to it and do not even talk about it.

This is not a bail-out bill. None of this money goes directly to the farmers. It simply allows them to be able to sell at competitive prices overseas.

I hope the people at the White House understand that. I have never questioned and will never question your ability to go in there and knock heads to get the farmers' position in front of the President and the White House staff.

The fact of the matter is if there is a holdup on this it is because they do not understand the marketing system. They do not understand what this bill does.

The other thing as far as reduced exports is this. The side effect of it is that inflation is down and the dollar is stronger. You cannot really speak against a strong U.S. dollar. That is what we want to do. That is why we are trying to bring inflation down. When that happens you actually are providing another hurdle or another discount for competitors when they sell their grain overseas. So we have to put all this in perspective.

One question I do have for you is this. Mr. Lesher, perhaps you could respond? How much money are we spending in drawing grain into the farmer-held reserve program? I just want a ballpark figure.

Mr. LESHER. For wheat?

Mr. COLEMAN. For grain.

Mr. LESHER. How much money have we expended?

Mr. COLEMAN. It is billions of dollars, I assume.

Mr. LESHER. It is about $3 billion or $4 billion, total loans. This would include the nonrecourse loans and the entry into the reserve.

Mr. COLEMAN. Some of that money is not coming back to the Treasury. I wonder if we could look at a proposal to perhaps take some of these billions over here that we are using to store our grain and creating this cloud over the market and depression over here, to maybe transfer some of these billions of dollars without any increases in actual outlays, to an export marketing tool to get this stuff out of here and out of here for good instead of year after year trying to store and keep it.

Do you have a response, Mr. Secretary?

Secretary BLOCK. No, but I concur with the thought.

Mr. HUCKABY [acting chairman]. Mr. Secretary, I would like to ask one quick question before I temporarily adjourn the committee.

What will be the administration's position assuming you are not able to move the President to negotiate new grain contracts with the Russians?

Will we continue selling to them at whatever volume we want to or will we revert at the prior agreements' understanding? What is going to be the position here?

Secretary BLOCK. The Soviets will be at liberty to buy any amount of grain they want from our market in the United States. There absolutely will be no restrictions on that.

They would be a trading partner of ours of the same type that Japan is, for instance, or the European Community. They just come in and buy without any written kind of agreement.

Mr. HUCKABY. Thank you, Mr. Secretary.

I am going to pursue this market-oriented concept. Apparently this legislation will probably not become law. It would do two things.

One, they would push hard for this grain agreement just to help the psychology of the markets. Two, it would seriously look at this revolving fund. We have an Export-Import Bank.

We are subsidizing American industry, making loans available for them to sell their products. Why cannot we do it for agriculture?

I think this is an issue you could take to the White House as a leader and the entire farm community of this Nation would rally behind you.

It would save the Treasury money, in all probability, in the future.

This committee stands in recess until 1:15 p.m.

[Recess taken.]

Mr. GLICKMAN [acting chairman]. Mr. Secretary, we hope your food is properly digested. We apologize for expediting your eating patterns.

As it turned out we did not have a second vote. We thought we were going to. But we may have one soon. So I would like to recognize Mr. English for his questions.

Mr. ENGLISH. Thank you, Mr. Chairman.

Mr. Secretary, I would like to set the record straight on a couple of items that have been brought up today.

I think it should be pointed out for the record that the farm bill that was passed by this committee, passed by roughly 30 votes in the House of Representatives, the urban House of Representatives, where I think you have something like an 8 or 9 to 1 urban majority.

But instead it was the conference bill or the administration's bill that only passed by two votes. So perhaps we were going in the wrong direction in conference. That may be the reason for the difficulty that the farm bill had.

Second, farmers ask me time and time again why it is so difficult for our urban friends to understand the difficulties of agriculture. They do not understand why there does not seem to be much sympathy or understanding for their problems in urban areas.

I think all they have to do is to look at Monday's New York Times article to understand why they are having this difficulty with urban people.

The Secretary of Agriculture seeks out and provides a special report to the New York Times, attacking a piece of farm legislation and pointing out that farming as a whole is not in much trouble, and certainly not as much trouble as the public has been led to believe, and the real solution to the farm problem needs to come from Mother Nature, which I assume you mean in the way of a natural disaster of some type to destroy crops.

I think then it should be pointed out that the real culprit for much of the difficulty and the lack of understanding that we have in rural areas is because of the Secretary of Agriculture.

The Secretary, instead of debating a piece of legislation, if he chooses to debate it in the press, before agriculture press, seeks out the urban press, the metropolitan press.

The implication also which I assume came from you, Mr. Secretary, is that the farm prices proposal would be a budget buster. But the Congressional Budget Office has indicated it would have nearly 1 billion dollars worth of savings.

I think it should also be pointed out that there is not a single provision of this farm crisis proposal that you do not already have the discretionary authority to use.

The real difference between the farm crisis proposal and the existing legislation is the fact that you, Mr. Secretary, have refused to use the authority that you have.

What the farm crisis group is attempting to do is to force you to use it and to take away your discretion. I think that is the real issue.

The farm crisis bill puts the authority, the decisionmaking process back in the hands of the American farmers and reduces the burden on the American taxpayer.

Certainly this administration has indicated it is their position so far as all Federal programs are concerned.

This one is contrary.

I also took note of your own testimony, Mr. Secretary, on page 3, when you state that one of your problems with the bill is the fact that the Department would be severely restricted in its ability to design and implement farm programs.

I think, Mr. Secretary, this is just another way of saying that the Secretary of Agriculture is not going to be able to control what takes place in agriculture and is not going to be able to control the amount of production that we have.

Mr. Secretary, there is one other point. Over a year ago when we began consideration of that farm bill and you first came before the committee, there were many members of this committee who pleaded with you then to agree and announce at that early date—even though it would not be bound by law—to let farmers know that this farm bill, once it passed, there would be a set-aside.

You refused to agree to that type of proposal. You stated that you were opposed to the set-aside. You were opposed to it philosophically.

Even though in wheat we had a billion bushel carryover, you refused to give it any consideration at that early date when possibly we could have done something about the 1982 prices.

In the end, Mr. Secretary, it is not the farmers to blame and it is not the consumers to blame so far as low farm prices are concerned, and it is not the last administration to blame. It is you, Mr. Secretary. You are the cause of the low wheat and feed grain prices that our farmers are receiving in the market place today.

Mr. Secretary, we have tried your proposal. What I would urge now is this. Let the farmers try their own. Give them a chance to control their own destiny and give us a chance to save the taxpayers of this Nation some money.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you. Mr. Glickman.

Mr. GLICKMAN. Thank you, Mr. Chairman.

First of all, I would like to welcome you here, Mr. Secretary. I would like to ask you this question.

If the proposal, the Farm Crisis Act, as it is called, comes through this committee, and let us say we take out the paid diversion for 1982 and let us say we make the referendum crop specific, which many members of this committee would like to do, and it passes the House and it passes the Senate, what would be your recommendation?

Would you recommend that this bill be vetoed? Or, would you recommend that it be passed?

Secretary BLOCK. I would need more details on what you just outlined.

Mr. GLICKMAN. Let us assume for a moment this. We have the exact bill we have before us, with two exceptions. One is that we removed the pay diversion program for 1982 and second, we take the referendum provisions and make them crop specific. You would have a referendum for wheat——

Secretary BLOCK. But you still would have referenda for each of the crops?

Mr. GLICKMAN. That is correct. What would you recommend in that case?

Secretary BLOCK. I would recommend against the bill because it is still a 3-year bill. We would be looking at a longer term plan that I think is inappropriate in agriculture because of the very quick changes and swings that we can see in our production.

Mr. GLICKMAN. So you do not recommend any additional legislation at this time?

Secretary BLOCK. I do not recommend additional legislation at this time.

Mr. GLICKMAN. The second point is this.

I would like to refer back to this article in the New York Times where both Mr. English and Mr. Daschle referred to it. I am quoting you: "We are paying for bumper crops of the last 2 years and the best that could happen in the farm sector would be some sort of a worldwide disaster, a natural disaster. Something of that sort would bring farm prices up. Otherwise, the farm sector will just have to be shaken out."

Mr. Secretary, if I am quoting you directly, is the chief agricultural officer of America calling for a worldwide famine and for hundreds of thousands of people to starve to death in order to get farm prices up for American farmers?

If that is the case, I would assume that your statement was made during a period in which you were at a cocktail party. I cannot believe that you would recommend that kind of thing.

If you were, I would assume that you would properly reflect on that statement.

Secretary BLOCK. Mr. Glickman, I am not sure of all the words of that statement being precisely my words. But I do not think there is anyone on this committee who does not appreciate the fact that probably the world weather—whether it be in another country or in the United States—is going to have more to do with world production than any farm program that we might devise.

Last year's exceptionally good weather, especially in the United States, is one of the ingredients, if not the major one, that got us into the trouble.

I just want to say a word or two, if I may, in response to Mr. English's comments.

Mr. English has suggested that the Secretary of Agriculture is responsible for all of these problems. I do not control the weather and I do believe the weather has a lot to do with the variability of our production in agriculture and the amount that we produce has a great deal to do with the kind of prices that we receive.

Furthermore, I am firmly convinced that the last administration's grain embargo plagues us today. It is going to plague us tomorrow and it is going to be a long time before we get over that.

It was a dreadful mistake and we are still paying for it. I did not create the high interest rates; the Government did. It has been spending too much money for years and years and years and it is about time that we put a lid on it and cut back.

If we get interest rates down, then we will be one step ahead of the game. Farmers will acknowledge that that is the biggest problem of all.

I am sorry; I hope the chairman will give you your full time. I did not mean to take it from you. [Laughter.]

Mr. GLICKMAN. Mr. Secretary, I am reminded of Shakespeare. "Me thinks he does protest too much."

I think the answer is all of the above. The answer is not just interest rates. They are too high. But obviously we cannot do anything about them overnight. They will fall slowly.

So, therefore, the answer has to be price. Maybe you can talk about exports all you want to. I am the author of the revolving credit export fund. I hope it gets an appropriation.

But you know as well as I do that it is not going to raise prices overnight either. Neither is all the increases in exports going to raise prices.

What really worries me is this. I am quoting from the New York Times from what you said: "We may have to have a natural disaster. If we do not have a natural disaster, otherwise, the farm sector will just have to be shaken out."

We either are going to shake out Third World countries and have hundreds of thousands of people die, or we are going to shake out our farm sector and they are all going to go broke.

One of the two things is going to have to be shaken out. What I am really saying is this. I gather there is a great amount of insensitivity to your statement.

I know you are in a box. I know you do not have the clout with the President and OMB that I would like to see you have. But what I would like to see is a little more of this sensitivity to the problems. Just shaking people out." does not really help to feed them.

Secretary BLOCK. I cannot imagine that I said that—"shaking out". I do not recall.

Mr. GLICKMAN. Do you disavow now the statements that I read? Would you reflect on those statements and indicate that you do not want to see a famine in the world?

Secretary BLOCK. No one wants to see a famine in any one particular area. But if we would see slightly less favorable weather over-

all, I think it would be in everyone's best interest during these times of large surpluses.

Mr. GLICKMAN. The alternative to that is to restrict production. I guess that is what we are saying. We would rather restrict production than have a famine overseas.

The CHAIRMAN. That is right; I understand what you are saying.

Mr. GLICKMAN. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Bedell.

Mr. BEDELL. Thank you, Mr. Chairman.

I am sorry, Mr. Secretary, that I had to be on the floor as much as I have and that I have not been here at the meeting more.

In my opinion, the effort here was to try to work out a program that would help to address the farm problems we have without adversely affecting the Federal budget.

I happen to be one of those who agrees with you that interest rates are critically important. Many of us believe we can reduce Federal spending by at least $1 billion by passing this bill and that should contribute toward helping to bring interest rates down.

I have tried to go through your testimony as much as I could as quickly as possible. I understand your concern over the change in the 1982 feed grain program. Frankly, I agree with you. I do not think we can do anything this year in that regard.

But I must say that I am extremely puzzled by why you would object to a program which would appear to bring our supply and demand situation somewhat more into control and at the same time save the Federal Government money.

I do not want to take too much time here. You may have already addressed this.

Secretary BLOCK. Very quickly, I believe it is a longer term program than we should be looking at. I think the production and surplus problems should be addressed on an annual basis.

Mr. BEDELL. They would be addressed in this, as I understand it, for next year. You would mandate, or there would be a 15-percent set-aside if the referendum passed, with sufficient incentive. We think you would pretty well guarantee significant compliance.

Secretary BLOCK. However, it does lock producers in. If a producer did not signup, he could not get into the program at a later date.

In effect, it is almost a mandatory program in a lot of ways. I do not feel that farmers would support that and would not want to see a program of that nature.

Mr. BEDELL. Do you understand that this one referendum would take care of 3 years of programs? Is that the way you understand the legislation to read?

Mr. LESHER. What we are talking about is if you have a referendum and it passes and one farmer chooses not to participate, he is, as the Secretary would call it, blacklisted for 3 years after that.

Mr. BEDELL. There is no question about that. But we certainly could have another referendum in the next year then; could we not?

Mr. LESHER. Yes, you could. It is an annual referendum. But then suppose that the referendum does not pass. You go into the more mechanistic program if the referendum did not pass.

We really do not think that any mechanism that is set in law forever with triggers and so forth is in the best interest of farmers in the long run.

If we had used your formulas in there and a referendum had not passed, we would not have had an acreage reduction program for feed grains and cotton this year.

Mr. BEDELL. If I may reclaim my time, this referendum simply says that there will be an annual referendum—as I understand it—by the farmers, to determine whether or not there will be a 15-percent set-aside of all farmers' normal crop acres.

Maybe we do not understand what is in the bill and maybe I do not understand what is in the bill, or if you do not understand what is in the bill and are opposing it because you do not understand what is in it, then I think it is pretty important that we all understand exactly what is in the bill.

My understanding is that the bill calls for an annual referendum where the farmers would vote as to whether they wanted this type of a set-aside program each year.

Apparently you do not read it that way; is that correct?

Mr. LESHER. That is right. You would have an annual referendum.

If the bill passes the way it is written, it would apply to all crops. It would not be crop specific.

The only farmers who would be out for 3 years would be those who chose not to participate when the referendum passed.

If the referendum did not pass, then the Secretary would be required to establish the voluntary acreage reduction program associated with which there are various trigger mechanisms.

When the percentage of world carryover reaches a certain level, the Secretary must have a certain set-aside with an increase in the loan rate and so forth.

Mr. BEDELL. This is what we need to know. Is your objection not to the referendum and the 15-percent set-aside of normal crop acres, but what would happen if the referendum failed?

If that is your objection, then I think very possibly we could address that issue.

Mr. Secretary, is that your objection to this bill?

Secretary BLOCK. That has to be one of the primary objections.

Mr. BEDELL. So your objection is not to the referendum.

Secretary BLOCK. We would have to look at the specifics of a referendum. We talked about it at some length earlier here this morning.

I think there are appropriate times for farmers to have a vote on what is going to be affecting their lives and what kind of a system they are going to be living by.

But I think we need to be sure of what we are going to have them vote on. If I am going to support it, it is going to have to be something that I feel could serve them well in the final analysis.

Mr. BEDELL. That is clearly specified in the proposed legislation. That is clearly specified as to what that would be. Do you have disagreement with what that specifies?

Secretary BLOCK. You are suggesting that if it passed, would I have disagreement?

Mr. BEDELL. Do you have disagreement with the legislation as it is written, which specifies what would be done if the referendum passes?

Do you have disagreement with that?

Secretary BLOCK. Yes, because if a farmer did not go into the program the first year he could never get into the program. It locks things up that long. I do not feel that is appropriate. I think to tie things up for 3 years is not the way to solve the farm problem.

The CHAIRMAN. I thank the gentleman.

Mr. Marlenee.

Mr. MARLENEE. Thank you, Mr. Chairman.

Welcome to the committee, Secretary Block and Secretary Lesher. I would like to address my questions to both of you at the table.

Can you accomplish administratively practically all that is entailed in this legislation?

Secretary BLOCK. Most of what is entailed in the legislation, except for two points, we can do.

The first point is that it is too late to affect the 1982 crop, which I think we pretty much agree does not make any sense to talk about anyway.

The second part is the referendum. I doubt we could do that. We might.

Mr. MARLENEE. We can have acreage reduction programs. We can have diversion programs and we can increase loan rates. That is all the discretionary power that we would have now.

I am not sure about blacklisting farmers for 3 years if they did not participate in the program. We would not have the authority to do that. The revolving fund takes an appropration from Congress before you implement that.

Mr. Secretary, or Dr. Lesher, what is the farm debt right now that we are carrying in this country?

Secretary BLOCK. The farm debt is about $200 billion.

Mr. MARLENEE. If we look back to 1977, we would be looking at about $102 billion. So farm debt has practically doubled.

My question is this: How long can we continue to increase that farm debt? Can we afford to increase that farm debt?

Secretary BLOCK. We can afford to increase it, but it should not increase at a rate faster than our assets are growing.

Our assets are in excess of $1 trillion now. Agriculture as a whole, with $200 billion in debt and $1 trillion in assets, does not look so bad. That looks good on most people's balance sheets.

But there are parts of agriculture that look much worse than that. It is true that the debt has grown rapidly in agriculture in the last 4 or 5 years. This is, of course, of concern to us.

It is just a fact. We need more cash flow. We need some profits to pay off the debts.

Mr. MARLENEE. For instance, let's look at the level of the net farm income in 1979 when it was somewhere around $30 billion. In 1982 it is estimated between $13 billion and $18 billion.

So there is every indication that debt is going up. The net income to pay it off is going down. I think you would have to concede that we are in a crisis situation; would you not?

And to continue along this course is going to lead to quite a few bankruptcies in the agricultural sector?

Secretary BLOCK. In the grain sector, we have a very serious problem.

Mr. MARLENEE. We are looking at this. We are going along a collision course, a crisis course, that will lead us to bankruptcy.

You have the ability to raise the loan rate at USDA which raises the market price. Yet, you tend to want, with OMB and the rest of the crew over there, to pay deficiency payments rather than increase that world market price.

I might ask you this: What was the world market price in 1975?

Secretary BLOCK. It depends on which crop.

Mr. MARLENEE. Let us talk about wheat.

Secretary BLOCK. For wheat, I suppose it was about $4. I do not know. I am guessing. It was better than it is today.

Mr. MARLENEE. Quite a lot better than it is today?

Mr. LESHER. Congressman, were you asking for the market price in 1975?

Mr. MARLENEE. The world market price for wheat in 1975, 1976, 1977. You take your choice.

Secretary BLOCK. I hear $3.55 back here.

Mr. MARLENEE. It probably was less in those years than it is today and especially less considering the cost of production around the world, to say nothing of the United States of America.

Yet, you maintain—and if I am not correct, please tell me—that increasing the loan rate and increasing the market price will result in less sales; is that so?

Secretary BLOCK. If we increase the loan rate, the Government is going to own some of this wheat. I think that definitely would not be in the best interest of the wheat industry.

Mr. MARLENEE. If the Government owns the wheat?

You are not going to own any more wheat than you would under the situation we are under right now; are you?

Secretary BLOCK. Yes; if there is an increase in the loan rate.

Mr. MARLENEE. You would be paying more deficiency payments.

Secretary BLOCK. If you increase the loan rate, we will own more wheat because the loan rate will be setting the market price.

The CHAIRMAN. The gentleman's time has expired.

Mr. Volkmer.

Mr. VOLKMER. Thank you, Mr. Chairman.

Mr. Secretary, I am sorry I was not able to be here for your previous testimony. I may be covering topics that you already have covered.

I am not going to blame you and the USDA, and my farmers do not, for the bad wet weather we are still having out in northern Missouri. We are not able to bring in our crops, to a large extent, which is similar to what we had last year.

I would like to ask you this. Do you have any projections at this time? If so, what are they? What do you anticipate to pay under the deficiency payments this year on wheat?

Mr. LESHER. Deficiency payment for the 1982 wheat crop are projected to be $520 million. Bear in mind, Mr. Volkmer, that is based on the current market price outlook and the target price.

Mr. VOLKMER. We realize that.

Mr. LESHER. The time clock just started running on that on June 1.

Mr. VOLKMER. For 5 months; right.

What are you anticipating on corn?

Mr. LESHER. Close to the same. It is not quite as solid because, as you know, the corn market——

Mr. VOLKMER. Do you envision with the participation that you have this year and the acreage reduction program, of utilizing the same type of program next year?

Secretary BLOCK. Right now we are getting comments and recommendations. We are reviewing them and considering what we are going to do for the following year.

We have flexibility under the Agriculture and Food Act of 1981 to administer either an acreage reduction program similar to this year's, or a diversion program of some kind, or both. We have not decided what we are going to do.

Mr. VOLKMER. I think it is obvious that if weather conditions are right throughout the Nation, we are going to continue to have good production, particularly in feed grains and wheat.

Unless market conditions change, we will be in the same shape we are in this year. I think that is what concerns some of us in regard to the future as to what activities what should be done and whether we should take this type of legislation or something similar to it and work it out or whether we should rely on the uncertainty of the USDA program as to reducing some production.

I also understand your feeling as far as increasing loan rates is concerned. It is just a question that I think some of us feel that if we had increased loan rates that I do not believe that we are going to see the amount of production overseas that will offset that increased production because of the increased loan rates.

I think it is generally agreed that if we are able to get the cash prices up and if they did follow the loan rate up, that we would not have the problem of the deficiency payments.

Do you agree with that?

Secretary BLOCK. If that did occur, it would help the deficiency payments problem; that is true.

Mr. VOLKMER. But your concern is that the Government will end up with a lot of commodities on hand, plus the incentive for producers in other nations to increase their production when we increase our loan rate; is that correct?

Secretary BLOCK. Yes.

Mr. VOLKMER. If we stay with that, we are looking at a fairly stable loan rate, the approximate amount the same way we are right now, next year? Is that correct?

Mr. LESHER. It has not yet been determined.

We filed a Federal Register notice on the wheat program which invites comment on different combinations of acreage reductions, diversions and loan rates. We have a whole combination of things that are out for comment right now.

Mr. VOLKMER. I guess everyone has sat here talking with you. I am sure you know about the problems in agriculture. We all have them in our districts.

As one who feels that agriculture is the basis economic backbone of this country, it is in pretty bad shape right now. I think to get the economy going in this country, we are going to have to get agriculture in better shape.

Mr. DORGAN. If the gentleman would yield for just a moment, I just want to clear up the record.

We discussed this morning the set-aside program and your participation in it. You indicated that the law prevented your farm from being a part of that set-aside program.

I just want the record to show that I think it would take a very creative interpretation of the law to put you in that position of being prevented from participating in the set-aside for your operation.

I want the record to show that I disagree with the contention that the law prevents you from playing a role in the set-aside.

Mr. VOLKMER. I just wish you well, Mr. Secretary. I hope that Congress can solve some of the problems that face agriculture.

I agree with part of your statement, in reading it, that one of the things we can do is to try to work to reduce the deficits and get our interest rates down.

The CHAIRMAN. Mr. Secretary, we have one more member who has patiently waited. We know you have a commitment.

We recognize Mr. Emerson at this time.

Mr. EMERSON. Thank you, Mr. Chairman.

Let me do this. We are close, timewise on this vote. I have some comments I would like to make. Could I have permission to revise and extend my remarks at this point in the record?

I do not want to detain the Secretary any longer. I am afraid we might miss the vote if we go on here. There just is not adequate time.

The CHAIRMAN. That permission has already been granted for all members to submit statements for the record.

The Chair would ask if there is no objection to any member who may want to submit written questions to the Secretary within a reasonable period of time.

Mr. EMERSON. Thank you, Mr. Chairman.

The CHAIRMAN. Without objection, so ordered.

[The prepared statement of Mr. Emerson follows:]

PREPARED STATEMENT OF HON. BILL EMERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. Chairman, I want to thank you for your efforts to bring the Committee together today to hear testimony on the conditions in the agricultural community and to discuss the Farm Crisis Act.

The Farm Crisis Act has some very good proposals and some troubling proprosals. We all know that commodity prices are still far below the cost of production. However, I don't think the answer to our problems lies in more farm subsidy programs. My farmers tell me that what they want is a price for their commodities. One way to get a good price with a bumper crop staring us in the face is to move our exports. In light of this I do support, have cosponsored in a separate bill, and very actively promote the provision in the Farm Crisis Act which expresses the sense of the Congress that the Agricultural Export Credit Revolving Fund should be appropriated.

Another method of boosting prices would be to enact a paid diversion program. In my view, a paid acreage reduction program would help in reducing actual production and thus minimize stock buildups in the farmer owned reserve. However, since this legislation was introduced many things have changed on the farm and it is my opinion that it will be impossible to implement a paid diversion for the 1982 crop.

Section Two of the Farm Crisis Act calls for a nationwide referendum on the acreage reduction part of the bill. Participation in the set-aside program would be voluntary under this referendum; however, farmers who don't comply would be denied access for 3 years to farm program benefits, FmHA loans, Federal Crop Insurance, and soil conservation cost-sharing and technical assistance. This certainly does not make the program voluntary and I would have to oppose penalties; especially one that denies farmers access to programs designed to benefit them and most certainly one that would deny them for 3 years. Too much happens in that length of time, particularly as it relates to the farm economy and individual farmers, and such penalties as proposed here are too stiff.

Section Four of the act which requires the Secretary to survey and expedite bartering of U.S.-owned agricultural commodities for strategic materials is worthy of our careful consideration. As members of this committee know, the CCC exercised that authority to acquire bauxite, just this year.

I am disappointed that the Farm Crisis Act does not contain any provision for the guaranteed delivery of grain. I have introduced legislation, H.R. 6135, which guarantees that grain purchased by foreign buyers and is within 120 days of delivery will not be embargoed for any reason short of declared war.

Finally I do support the provision in the Farm Crisis Act which calls on the President to convene a White House Conference on Agriculture.

When all else is said and done Mr. Chairman, the number one problem on the farm has been and is the cost-price squeeze. The farmers have been at once victimized by high inflation and high interest rates. The inflation side of the problem is coming well under control. Interest rates remain a most serious problem, and I have a great hope that what the full House of Representatives does tomorrow on the 1983 budget will have the long-awaited appropriate effect on interest rates. A responsible Federal budget could provide the best possible boost by getting interest rates down.

The CHAIRMAN. Mr. Secretary.

Secretary BLOCK. Mr. Chairman, I know we are nearing conclusion of this hearing. I just want to be sure, before you have to leave, that I compliment you on your efforts to bring the committee together.

I compliment the committee. I know that times are not the best in agriculture and we have good intentions. We are all trying to find a solution. We may not all agree on what that solution is, but we are going to have to continue to work together. My door is open to any of you. We will try to come to the best solution to solve the problems in agriculture the best we can.

I thank you for your continued fairness and your effort to do a job for agriculture.

The CHAIRMAN. Thank you, Mr. Secretary.

Mr. Emerson or Mr. Dorgan, do you have anything else?

Mr. DORGAN. Mr. Chairman, I would just like to make note. We have been in an adversarial kind of position on a number of issues, but I think all of us on the committee, even those of us who have wide disagreements with some of your positions, Mr. Secretary, appreciate the fact that you come here, you stay here and you answer questions and give us your thoughts. I just want you to know that I appreciate that kind of courtesy.

Secretary BLOCK. Thank you.

The CHAIRMAN. Mr. Secretary, we thank you very much for your indulgence and for your cooperation. We wish you well.

Secretary BLOCK. Thank you, Mr. Chairman.

The CHAIRMAN. I would like to have placed in the record the statement of Bill Alexander on this Farm Crisis Act.

Without objection, so ordered.

[The prepared statement of Mr. Alexander appears at the conclusion of the hearing.]

The CHAIRMAN. The Chair would like to announce that the afternoon session which was scheduled for 2 o'clock, if the witnesses who have been so patient throughout the morning, would allow the Chair 10 minutes, we will begin about 10 minutes after 2.

We will recess at this time.

[Recess taken.]

AFTERNOON SESSION

The CHAIRMAN. The committee will be in order.

We will begin with our witnesses scheduled for this afternoon.

We invite all three of you to the table. We will allow you to proceed as you feel most comfortable.

Mr. Frazier, we welcome you. You may proceed.

STATEMENT OF CHARLES L. FRAZIER, NATIONAL FARMERS ORGANIZATION

Mr. FRAZIER. Thank you, Mr. Chairman.

I should be happy to comment briefly on my statement and then await any questions that you may have.

I would ask that my prepared statement be placed in the record in its entirety.

The CHAIRMAN. Without objection, so ordered.

[The prepared statement of Mr. Frazier appears at the conclusion of the hearing.]

Mr. FRAZIER. I do want to emphasize our appreciation, however, for the efforts of each of you who have put this bill together and worked in recent weeks to bring it to the Secretary's attention and hopefully can put a bill through the Congress.

I believe it is unnecessary for us to sit here at this time and restate the problems we face in farming out in the country. All of us know the results of high interest rates and low prices.

All of us know, too, that we were a little disappointed in the final bill that was passed last year. Consequently, I think it is the attitude of my national board and my officers that without undertaking to debate or criticize or otherwise analyze the detailed provisions of H.R. 6274, we would hope that you can move forward with a bill that would increase price supports, particularly for the 1983, 1984, and 1985 crops.

Turning to the testimony, I would emphasize one or two of our findings in some work in the Middle West just recently. Some of our personnel interviewed people in Adams County, Iowa, where they have 981 producing farms. We found that 71 percent of them were initially signed up in the program. We, of course, do not yet know the final compliance.

There are some other numbers in the testimony describing this farm county which is made up, quite frankly, of grain and livestock production on the farms, with a few dairy farms. We made a particular effort to get the attitudes of bankers, PCA men, Federal land bank men, and the FmHA people who are handling credit in that county. We learned two or three things that may be of some significance to you.

First, such an area with diversified farming is not quite so badly off as some of the straight cash grain areas or those areas where

they are severely influenced by unemployed and layoffs in plants in the community.

They tell us, in effect, that they are surviving this year largely by the good nature and agreeable attitude on the parts of loan managers in those lending institutions.

Many of them admit, confidentially, that they did not reexamine individual loan portfolios very carefully. They did not do it critically. They chose to give the operators another year and another chance rather than press for a cleanup on interest payments due or, should we say, rather than recalculate the man's net asset position with some decline in land values and the low commodity prices they are facing out there today.

So, in effect, many of those younger farmers, especially, are still operating in 1982 largely by the good graces of people from whom they are borrowing the money.

The second thing we found was this. One of our good men went into the trade centers serving that section of Iowa and briefly stated on the third page of the testimony, this is a county seat town with a population of 8,500.

It, roughly speaking, serves 4 or 5 good farm counties there and 22 business houses closed up in the last 12 months. The nature of their business was set forth on the last page of my prepared testimony.

I think this emphasizes our need for some action to improve the prices in these major farm commodities throughout the agricultural areas of this country.

It goes much further than just the survival of just a few individual farm enterprises. The whole business community out there is pretty well shaken in most of the farm areas with which we are familiar.

It will take some time for those business communities to recover, even starting with some better commodity prices next fall or in 1983.

We are facing the threat of a longtime depression in many of those farm communities if we do not get this thing turned around quickly.

With that, I will subside.

Thank you.

The CHAIRMAN. Thank you.

Mr. Mullins.

STATEMENT OF ROBERT J. MULLINS, DIRECTOR, LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. MULLINS. Thank you, Mr. Chairman.

I, too, will just briefly highlight two or three points in my written statement and ask that it be inserted in the record at this time in its entirety.

The CHAIRMAN. Without objection, so ordered.

[The prepared statement of Mr. Mullins appears at the conclusion of the hearing.]

Mr. MULLINS. I do appreciate the opportunity to be here in support of the Farm Crisis Act, H.R. 6274.

The bill, in our opinion, of course, is not all that we would have wanted. It is not all that we need and it is not a panacea for the depression that is gripping rural America right now.

But, I, too, wish to commend Representative Daschle for introducing the bill, the members of the Farm Crisis Group who worked very diligently in trying to formulate a piece of legislation that would work and could be passed and would help alleviate some of the economic burdens in the agricultural sector today.

I can only second some of the things that my colleague, Mr. Frazier, has mentioned about their survey. Many of you here today were present several weeks ago when our national president presented to the Congress a report entitled, "Depression: Rural America."

That report was the summary of some nine field hearings that we held across the country. It, I think, in the words of the people who are experiencing the effects of this depression, just dramatizes the point that he already made.

When the bill was originally introduced several weeks ago, we were pleased that it had provided the opportunity for some additional acreage reductions this year.

Unfortunately, because time has gotten away from us, that issue has become somewhat moot.

But we still support the provisions in the bill that would provide the opportunity for producers to have a referendum and to decide if they, on their own, want to make some improvements in the farm program, reduce acreage next year in exchange for increased loan levels.

At our national convention meeting here several months ago, we adopted a six-point emergency plan. The Farm Crisis Act does not address all of our concerns, but it is the only measure that has been introduced so far with broad bipartisan support that we think attempts to meet some of the critical needs which we have outlined in our special order of business and also some of the issues that were raised in our report on depression in rural America.

Mr. Chairman, I am somewhat dismayed when a representative of this Government comes up and says that he does not think that producers should have the opportunity to make some of their own decisions and opposes a bill which, in effect, would cost less than the program that is being administered right now.

We think something needs to be done and done quickly. We urge this committee to report this bill expeditiously and you can be assured of our organization's support in passing it in the full House.

Mr. Chairman, we appreciate the opportunity to be here. That concludes my remarks.

The CHAIRMAN. Thank you very much.

Mr. Frederick, you may proceed.

STATEMENT OF EDWARD ANDERSEN, MASTER, NATIONAL GRANGE, PRESENTED BY ROBERT FREDERICK, LEGISLATIVE DIRECTOR

Mr. FREDERICK. Thank you, Mr. Chairman.

I am sorry Mr. Andersen is not able to be here. He is attending a meeting of the International Federation of Agricultural Producers in London.

He asked me to represent the National Grange in his stead.

I would ask that our prepared statement be placed in the record at this point.

The CHAIRMAN. Without objection, so ordered.

[The prepared statement of Mr. Andersen appears at the conclusion of the hearing.]

Mr. FREDERICK. I want to thank you for calling the early hearings on the Farm Crisis bill. We give our congratulation to the Farm Crisis Group for drafting the legislation.

Unfortunately, as we point out in our statement, it is too late. A lot of the provisions are excellent provisions that we testified for in the 1981 farm bill. It really is too late to really affect the 1982 crop.

But we do say in our statement that we could not support the bill as drafted. But as I heard the discussion this morning, there are changes being considered for the referendum, which was our biggest objection.

But as I understand the comments I heard this morning, there are some changes contemplated in the referendum. I do not think we will have any problem reaching an agreement on how the referendum is conducted.

I cannot agree and add much more to what has been said by these witnesses and previous witnesses. Your constituents are some of our constituents. It is tough being in farming today. We know that.

The solution lies in quick action and increasing the cash flow of farmers. There are only two ways that can be done very quickly. One is the increased loan rate and the other is to increase the storage payment.

I realize those have budget impacts. But sometimes we may have to overlook the immediate budget impact and the long-term interest of saving some darn good farmers who are going to go down the drain if we do not take early action.

We have included as part of our statment a statement on the National Farm Coalition, which I ask be included in the record. We are not making a statement for the coalition. Members have testified before you who are members of the coalition.

We also attached to our statement a telegram to the President where we call for immediate negotiations on a long-term agreement with Russia.

It seems to me that the signals that we are supposed to be sending are wrong and are long passed. That was the announcement of a call for starting negotiations. All this time there have been continuing negotiations in Geneva on arms reduction in Europe.

So I do not see how signing a long-term agreement with Russia on grain would send the wrong signal to anybody. I certainly am glad that the Secretary has put his statements forward that he is in favor of a long-term agreement with the Soviets.

There are some people in town—and unfortunately some of them are representing farmers—who think that a long-term agreement with Russia is not needed.

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I certainly do not concur with that thought. We need a long-term agreement with the Soviets or we will be just a residual supplier of Soviet grain.

With that, Mr. Chairman, I thank you again for the opportunity to testify.

I would be glad to respond to any questions.

The CHAIRMAN. Thank you very much.

Are there any questions from my colleagues?

Mr. DASCHLE. Mr. Chairman, I guess I can speak for the unanimous committee in our deep appreciation to these three gentlemen.

I have read their statements as they have testified here today. We owe them a deep sense of gratitude not only for their testimony, but for waiting this long to share it with us.

I mentioned at the beginning of the hearing that we were going to be introducing a substitute which incorporates refinements to the legislation that have been suggested to us by members of your organizations and by others who support the legislation.

We intend to do that today.

One of those things deals with the diversion program for this year. We will be deleting that, not because we still think it was unnecessary, but simply because of the time constraints under which we work today.

The referendum is another issue. We hope to make it crop specific. I would like to see a crop specific referendum, having had the chance to visit with a number of people.

We have talked with experts in the Department and elsewhere, who tell us that we could have the referendum as late as the end of July and tabulate the ballots as early as the second week in August.

That still would allow us the opportunity to proceed on a referendum for the 1983 crop.

You three have probably said it as eloquently as one can. I have no specific questions. I only thank you sincerely for the comments you have made and the contribution you have made and for the direction and the guidance that you continue to give us as we proceed during this very difficult time in agriculture.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Dorgan.

Mr. DORGAN. Thank you, Mr. Chairman.

I, too, want to congratulate the three representatives of the farm organizations on their statements.

When the chairman called you professionals, I know he did that in the kindest sense. I think most of us on the committee look at you in that respect.

You are the kind of people we can go to for advice on farm matters and agricultural policy and get a good response on how farmers out there are feeling about issues.

I would just like to ask a general question.

When the Secretary was here, I alluded to a piece in the New York Times yesterday in which the Secretary said that: "Farming as a whole is not in as much trouble as the public has been led to believe."

Is the Secretary of Agriculture sadly out of touch with agriculture? My conclusion is that. But what is your thought about that kind of a statement?

Mr. FRAZIER. I would be happy to take a crack at that.

Perhaps we have belabored under the illusion or misnomer for a number of years. Perhaps we should all take some responsibility when we just speak of "agriculture" or "farming."

As a matter of fact, it is quite a diverse industry scattered about over this country with many types of soil, rainfall, types of farming, specialty crops versus the large widely grown crops such as wheat, corn, soybeans, cotton.

I really suggest that someone might make a broad general statement of that type and get away with it as long as he stayed in sufficiently broad terms.

But it is quite misrepresentative of what is really going on out there in the country today. The livestock people now are enjoying a little increase in price.

I think as a matter of fact, the last market report shows hogs up about $10 over what they were a year ago. Fat cattle in Omaha are up about $5.

But in contrast to that, corn is off 60 cents from the price the same time a year ago. Wheat at Kansas is $4.06, as we heard in the hearing this morning, to $3 or less in some far-out production areas.

Those of us who have been in this game for awhile have always known that cheap feed produces cheap livestock and milk.

We know we are in trouble on milk. So, it seems to me that unless we are able to bring these grain stocks down and get the prices of grains up, you really cannot look to any broad improvement in milk, hogs, or cattle.

In that sense, it is fair to conclude that farming generally is still in very deep trouble up there in the country.

Mr. DORGAN. I appreciate that answer. It is not that my intention to pillary the Secretary of Agriculture. He has a difficult job and tries to do the best he can.

But I think it is another example of the Secretary of Agriculture representing an administration to America. I think many of us really wish that the Secretary of Agriculture would represent farmers, to represent rural America to the administration.

Again, I just want to say that I appreciate your willingness to comment on public policy and to give us your opinions in a very candid way on these kinds of measures.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Stenholm.

Mr. STENHOLM. Thank you, Mr. Chairman.

I have one question. You may have handled it in your testimony. I apologize for not being here. We have the dairy hearing going on in the next room.

But I would like to ask briefly your response to whether or not you support the original language of the referendum that calls for a 15-percent set-aside for normal crop acreage versus the proposal of making it crop specific with certain crops being able to exempt out.

Do you have a feeling on that?

Mr. MULLINS. We have not resolved that issue within the organization because it just came up.

Mr. STENHOLM. If you do not have an answer today, I would defer to let you give some thought to that. If you have one off the top of the head, that is what I would like to hear.

Mr. MULLINS. I would prefer to provide you some analysis on it.

The CHAIRMAN. Without objection, so ordered.

Mr. MULLINS. I would prefer, if it were my choice, of having it across the board. That would be my initial reaction as the language was in the original bill.

I would like to examine it before the markup and provide you with some information. I could not, by any means, be hesitant about supporting a crop specific referendum.

It is almost to the point now of six of one or half a dozen of another. I know I have my personal preference.

Either way I think it is terribly important that we do something to help move these grain stocks down.

Mr. STENHOLM. Mr. Frederick.

Mr. FREDERICK. Mr. Stenholm, that was one of the things that bothered us somewhat, the original language where it was across the board.

I do not know if it was in the bill itself, but in the discussion paper it stated that anyone who has voted in an ASCS election was eligible to vote in a referendum.

You are going to have some people voting on a referendum for a wheat program that is vital to a person in Texas or Kansas or North or South Dakota from New England that is eligible to vote in the referendum because he has some type of a conservation-type program. That would make him eligible to vote on a wheat program that is going to take place clear outside of his region.

We certainly would be in favor of making it crop specific. I do not know how you can tie down on the voter registration and the voting requirements. But I think those who are going to have to live by the results of the referendum should have the say-so in voting on the referendum.

How you tighten it down, I do not exactly know. We certainly would be in support of changing the referendum provisions to crop specific and any other way we can get it where the persons are going to be affected by the program have to live by it would have the say-so of voting yes or no.

Mr. STENHOLM. Mr. Frazier.

Mr. FRAZIER. I believe I can help you a bit. I recall the last referendum we had in wheat in 1963.

There were a lot of 3-, 4-, 5-, and 7-acre wheat growers scattered around in sections of the country who really upset the vote and made it look much worse than it otherwise was in the real wheat-producing areas.

I could endorse the concept of tightening up the eligibility to vote so that the whole referendum was beamed to the real farm producers.

Another view that I think is worth mentioning would be along this line. It has been a long time since we had a good pure expression from all the farmers out there on how they feel toward these programs.

We have a lot of young farmers out there who really have never farmed under a meaningful farm program in which production controls and price supports were well handled, if you please.

In that I am not being political. I am talking about two or three administrations.

I would hope that all the grain men, for example, would have an opportunity to vote their will in that referendum collectively.

We have a lot of men growing wheat, corn, sorghum, beans. Those grains are competitive. The prices are competitive.

They are the same people who are involved in many, many farming setups.

I really do not care about some of the other producers helping make a judgment for those people who have all of their assets and all of their future tied up in one question.

Mr. STENHOLM. Thank you.

I share that same concern. I think it will behoove all of us who are deeply interested in having a referendum. I think that is the key.

I think it is going to behoove us all that we structure the referendum and what we vote on in such a manner that we do, in fact, have an honest test of the wills of the American farmers.

That is what I hear you saying and I think that is what we on the committee, with your help, and with others, are going to have to structure in that way.

Mr. FREDERICK. I think the cross-compliance between all farm programs is not in the bill. Is that right? At one time you were thinking about Farmers Home and the other USDA program was available and it would not be available if they opted out. I think they would be opted out and would be out of the benefits of the farm program. I guess it is still for 3 years; is that right?

That in itself is so stiff that in itself could influence the outcome of the referendum and may cloud the picture that we are getting for support of that type of program.

I think the way it is structured is vitally important. I would like to see a true test of farmers support for supply management programs.

That is what our organization supports.

The CHAIRMAN. I thank you three gentlemen for your patience with us today.

I take this as an indication of your diligence in representing the organizations.

This concludes, to my knowledge, all witnesses who desired to testify on this legislation. Therefore, this would be the end of our public hearings.

We will hopefully announce later today or no later than tomorrow, when we would continue with our markup. The earliest possible date would be next week.

With that, we will stand adjourned, subject to the call of the Chair.

[Whereupon, at 3 p.m., the committee was adjourned.]

[Prepared statements of witnesses and additional submitted material follow:]

PREPARED STATEMENT OF HON. MIKE SYNAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. Chairman and members of the Agriculture Committee, I appreciate the opportunity to testify before you today in support of the Farm Crisis Act of 1982. As a member of the Farm Crisis Group, I've had the opportunity to participate in most of the meetings held by this group to develop this legislation. I'd like to commend my good friend and colleague, Tom Daschle of South Dakota, for the fine leadership he has exhibited in the drafting of this bill. I believe this legislation is a responsible effort to provide farmers with the help they need to bring them out of their current depression and it has my full support.

I'd like to take a moment here to address a concern I've had in the drafting of this proposal. As you examine this bill, many of the programs will look familiar to you. They are programs that this committee and this Congress authorized last year during consideration of the 1981 Farm Bill. The use of these programs, such as the Export Revolving Fund and the Economic Emergency Loan Program, were left to the discretion of the Secretary of Agriculture. Because the Secretary has failed to implement these programs, we've had to mandate their use in this bill.

The Secretary and I disagree on two major issues. He doesn't believe farmers are in a crisis. He also believes that government involvement in agriculture is bad, no matter what is happening in the farm economy. I disagree with him on both counts.

A crisis exists. Farm income has fallen by 50 percent in the last 3 years. Farm debt has tripled since 1973. Production costs have risen dramatically in recent years while the prices farmers have received for their crops have declined. The ratio between prices received by farmers and prices they pay is at the lowest point since the Great Depression. Farmers in Oklahoma and throughout the country know they're in bad shape and that their situation will get worse if something isn't done to change it.

To address the issue of government involvement in farm policy, I'd like to share some views with you that were expressed in a recent editorial in the Southwest Farm Press, a respected agricultural journal. The editorial, entitled "It's Time to Admit We Were Wrong", makes this statement regarding a "free market" in agriculture.:

"That we should have to learn this lesson all over again after having learned it in the hardest possible way in the Great Depression is mind boggling. We had nothing else but a 'free market' until legislation was passed in 1933 to bring stability and prosperity back to American farmers. It had not worked, we had a constant boom and bust farm economy and, beginning in 1921, a serious farm depression that contributed heavily to dragging the entire nation into the most serious depression in history beginning in 1929.

"For forty years, we repeat because it is of enormous importance, we had 40 years of high and strong federal government farm support programs from 1933 to 1973. In 1973, we made a serious wrong turn."

The government does have a place in agriculture. Four percent of our population provide all the food and fiber for this country and a good part of the world. Americans use less of their disposable income on food than any other country in the world and have a much wider variety of products from which to choose. Thirty-five million people draw their livelihood, directly or indirectly, from agriculture. Farm programs can and should be used to maintain the productive capacity of U.S. agriculture so that consumers can have adequate supplies of food at reasonable costs and so that farmers can have a fair price for their product.

Farmers face the uncertainties of weather and the fluctuations in the international market. The time needed for production is long and, therefore, they face the uncertainties of price changes that may occur between planning stages and harvesting. In order for farmers to be willing to invest in planting crops adequate to meet supply needs, farm programs have been developed to provide farmers with some minimum assurance that they'll be protected from uncontrollable changes in the market. For farmers, in contrast to other producers, perishable supplies become available all at one time while consumer demand is constant. Therefore, farm programs have been developed to provide for the orderly marketing of farm products when necessary.

You would think that such programs cost a lot of money. But, it's important to remember that agriculture programs took up only 1.7 percent of the outlays in the fiscal year 1982 budget while the food and fiber sector contributed to about 20 percent of our Gross National Product.

A sound farm policy shouldn't cost any money. The Farm Crisis Group has developed such sound farm policy with this legislation. The Congressional Budget Office

has stated that this legislation will save the government about $900 million over the next 4 years.

The Farm Crisis Group has developed this legislation because the farming economy is in trouble and the administration hasn't seen fit to address the problem. I believe the government has a responsibility to provide farmers with the income support they need to continue supplying the American people with food at reasonable prices.

I voted against last year's farm bill because I didn't believe it adequately addressed the needs of our farmers. I believe this bill will correct some of the inadequacies of that legislation and I urge you on this committee to pass this bill and bring it before the full House as soon as possible. Our farmers don't have very long to wait.

Thank you.

PREPARED STATEMENT OF HON. JAMES L. OBERSTAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. Chairman, the members of this committee, more than any other body in this House, know how desperate the crisis is facing the American farmer. While some of our colleagues have hardened both their hearts and minds to the plight of rural America, this committee has not. By holding this hearing at the full committee level, you have recognized the urgency of the problem. Last month, the National Farmers Union held extensive nationwide hearings on the farm economy. The farm press and the general news media have all provided extensive reporting of the crisis. I am not here today to attempt to duplicate the extensive work of Farmers Union or to tell this committee what it already knows. I am here on behalf of the farmers of Minnesota who are expecting their Congressmen to do everything they can to ensure that the Congress act quickly to rectify the disasters of the farm bill, and of Federal farm and economic policies over the past year. I am here because I wanted this committee to know that your efforts are supported by members of the committee.

This is an issue too important for us not on the committee to sit back and just allow you all to do the work.

Mr. Chairman, earlier this year I introduced legislation to (1) raise the Commodity Credit Corporation loan rate for wheat and corn; (2) direct the Secretary of Agriculture to make loans available to farmers under the already authorized economic emergency loan program; and (3) require the Secretary to permit the deferral of the payment of principal and interest on, and foreclosure of, outstanding loans made under laws administered by the FmHA to farmers who are experiencing temporary economic hardships. I have just come from the Dairy Subcommittee where I spoke in favor of the legislation I introduced in May to restructure the federal dairy program.

The Government has given agriculture a farm bill that is no good. Before voting against the bill last December, I called it an economic Dunkirk for farmers.

The Federal Government has given farmers both inflation that raised the price of their costs, and high interest rates that means they cannot pay their bills.

The Government has embargoed the export of our grain overseas, thereby depressing farm prices, and undermining the confidence of foreign customers that America can deliver the goods.

Mr. Chairman, Minnesota's farmers are going broke. The market price for virtually every commodity is less than the cost to produce them.

The parity price for a bushel of wheat is $7.18. The Department of Agriculture says the cost of producing that bushel is $5.32. The current average price being received by farmers is in the neighborhood of $3.50, for a net loss of $1.82. There is no way that farmers can continue to produce with prices below cost of production.

Loan delinquencies and default by farmers have increased sharply and are getting worse. Bankers are telling my office that more borrowers will be curtailed on credit and many will eventually have to be turned down.

The pricing system for agriculture is not working when producers have to borrow their money from the banks, instead of getting it from the marketplace.

Because of export subsidies by other governments, the United States is a residual supplier of the world's agricultural products. In other words, buyers come to us as a last resort.

Despite this, our country supplies 57 percent of all agricultural products in international trade. That means that sooner or later, the Russians and other purchasers have to come to us.

Under these circumstances, there is no reason that the United States should not set a price for its commodities that will provide farmers with a fair return.

The solution to the immediate problem facing our farmers—low income as the result of high interest rates and high costs—can only be accomplished at the Federal level. Because of the administration's grossly inadequate response to the rural crisis, Congress mut act before the 4th of July. We in the Congress have an opportunity and a responsibility to act within the next few weeks to avert ruin for thousands of farmers.

Mr. Chairman, I commend the members of the Farm Crisis Group for drafting legislation that is desperately needed to save a sector of our economy that cannot wait until late 1982, 1983 or whenever the benefits of Reaganomics will be evident.

This is not a partisan issue. Democrats and Republicans concerned for the American farmer must work together if we are going to enact this legislation. This is not a political gesture but a serious attempt to assist farmers who are at their point of greatest need since the depression.

Mr. Chairman, I thank you for the opportunity to testify before your committee today and again what to congratulate the members of the Farm Crisis Group for writing legislation that is vitally important to the future of our country. Although the Farm Crisis Act will not solve all the economic problems plaguing U.S. farmers, it will be a significant step forward in helping farmers to bring supplies more in line with demand in the next few years. I urge this committee to act favorably on this legislation.

STATEMENT OF
U. S. REPRESENTATIVE BERYL ANTHONY, JR.

HOUSE AGRICULTURE COMMITTEE

June 9, 1982

Mr. Chairman:

I am pleased to be here today to testify on behalf of the proposals introduced as the Farm Crisis Act of 1982. I share the view of many of my colleagues that the 1981 Farm Bill is inadequate to protect the high degree of risk and investment by our farmers, given the current outlook for farm prices and farm income this year. Furthermore, I believe that the overall economy cannot recover unless a major sector such as agriculture can be made profitable again. I fully understand the difficulty of acting at this time in view of the huge projected budget deficits. However, I believe that it is possible to make changes in existing farm legislation which will actually reduce rather than increase government outlays. The critical situation requires that we make the effort.

Farmers at the Crossroads

I have used this imagery of farmers at the crossroads on a number of occasions in recent months. There are several roads which can be taken toward the future of agriculture but the destination is uncertain at best and could be disastrous if the correct choices are not made.

This could be the year that a farm recovery begins which could help to restore the economic health of the nation. Or, it could be the year that more farmers go bankrupt or cease operations than anytime since the depression of the 1930's. We could see another migration away from the farms at a time when there are severely diminished economic opportunities in urban areas as well.

In the five months that have passed since enactment of the 1981 Farm Bill, I have had numerous opportunities to meet with farmers, agribusinessmen and farm lenders in my district. They have all expressed the same view -- agriculture is not profitable and has not been profitable at least since 1979. This general condition is true in the delta counties of my district, where rice, soybeans, wheat and cotton predominate. On the other side of my district, where livestock and poultry enterprises predominate, farmers can barely remember when they last made a profit.

These farmers share two common characteristics. They have all lost a great deal of money producing food and fiber for the nation and all they have to show for their efforts are huge debts. At current interest rates and income prospects, this will be the last year many will be able to operate.

Some may wonder how these farmers have continued to operate. In the case of grain and cotton farmers, they have been able to borrow against the inflation in the value of their land. Livestock producers were able to do the same. Many farm families had one or more persons working away from the farm to supplement the family income. Borrowing to live and to operate has become a way of life in agriculture and the day of reckoning is near for the farmers in my district.

In the last two years, there has been a convergence of factors that threaten to literally destroy the economic foundation of agriculture. The rise in land values has ended and a decline has been noted in some areas. The Farm Credit Administration announced that farmland values nationally declined an average of 1% in 1981 and much more in some states. Borrowing against farm equity plus the unprecedented high interest rates of recent years has created unmanageable debts for most farmers. These conditions occurred at the same time there was a sharp decline in farm prices and net farm income. All the ingredients for a massive economic disaster are present and in place. The Farm Crisis legislation before this Committee is not the total solution but it can help to achieve a long-term solution.

Solutions for the Crisis

In the many meetings I had with farmers in my district since the Farm Bill passed, I have sought guidance and recommendations as to the correct response to the current situation. All farmers, agri-businessmen, and leaders of financial institutions were in agreement that supply and demand must be put into better balance so that a fair price is possible again. In view of the huge U.S. and world crop in 1981 and the increase in carryover stocks, the need to get production under greater control is obvious.

The Secretary's acreage reduction program announced in January is a step in the right direction but I am concerned that it will not lead to adequate reduction in supply. It is clear that there will be another record world crop and another huge U.S. crop unless weather intervenes. If that is so, then the market will continue to produce low or negative returns to our farmers because they have almost no insulation from the fluctuations of world markets and world supply/demand conditions. Due to their heavy debt load and high interest rates, most cannot continue to produce and sell at a loss much longer.

The farmers I have talked to want to reduce their acreage in order to get higher prices for what they produce. They also want a mechanism in the farm bill that will automatically trigger acreage reduction programs if domestic and export usage do not use up a sufficient amount of the old crop to prevent depressed prices. I am convinced that a sizeable majority would vote to support a program that had teeth in it, if a referendum could be made available. Famers want a "mandatory" acreage reduction program. As best as I can tell, they seem to define "mandatory" as one in which everyone participates. If farmers can be assured that their neighbors and farmers producing the same commodity in other areas are taking land out of production, they will gladly do so too.

Acreage reductions must be linked to somewhat higher CCC loan levels. The figure of a 10% increase in the Farm Crisis Bill is reasonable, assuming production is brought down at the same time so that a smaller total supply would go under CCC loans. Make no mistake about it, the CCC is going to end up owning a lot of the 1982 crop just as it will the 1981 crop unless present conditions change dramatically.

Farmers also want to continue to produce for world markets. It is not a satisfactory situation for U.S. farmers to reduce acreage and production while our competitors are increasing their's. However, this situation can be viewed as a temporary measure to protect our producers income prospects until the world's demand for our food and fiber increases to a point that we can return to less restraint on production.

We also need to provide the seed money for the CCC export credit revolving fund which will help to export the surpluses now on hand.

This will have a major budget impact in any year that we begin it but I believe there will be broad bipartisan support for it in view of the need and because all interest and principle would be repaid in three years thus making money for future export financing. Once it begun, the fund can be a self-renewing source of export financing indefinitely.

Finally, we need to combine our efforts to produce less and export more with continued support for a program that assists farmers in constructing on-farm storage. The Farm Crisis Bill would provide guarantees for up to $250 million in loans to construct on-farm storage. I am confident that farmers will respond to the opportunity to construct additional farm storage if adequate credit is available.

Conclusion

Mr. Chairman, I fully expect the farm situation to get worse before it gets better. Everyone agrees that we need to reduce budget deficits and interest rates to alleviate pressure on the money markets. However, as long as major sectors of the economy such as agriculture are unprofitable and slipping deeper into debt, there can and will be no economic recovery.

The Farm Crisis Act is a small but necessary step to restore profitability to agriculture. I urge that the Committee move forward on a bipartisan basis to approve the legislation.

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STATEMENT BY
JOHN R. BLOCK
SECRETARY OF AGRICULTURE
U.S. DEPARTMENT OF AGRICULTURE
BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE
June 9, 1982

I appreciate the opportunity to appear before you to discuss H.R. 6274. While we can all agree that agriculture is in the midst of difficult times, I believe that we must be careful in attempting to deal with this situation. Hasty, ill-chosen actions--however well-intentioned--can only cause more harm than good. Put simply--H.R. 6274 places politics front and center at the expense of our farmers and ranchers. Any of you who have ever farmed know that.

H.R. 6274 sets a dangerous course. If this legislation is adopted it will fuel the very crisis that it is intended to resolve. American agriculture could well be returned to an era like the 1950's and 1960's, with massive acreages being idled and chronically-low returns for farmers. America's farmers have a decided comparative advantage in the production of food for the world. What we do not need is a domestic commodity policy that works against our ability to compete in world markets.

Anyone who is truly concerned about the plight of the farmer will support the President's effort to bring down the deficit and reduce interest rates. As farmers themselves have experienced, interest costs stand out among all others as the major burden on the sector. For every 1 percentage point reduction in interest rates on the farm debt outstanding, farm income will increase by close to $2 billion. There is no doubt that reducing interest rates will do more for farm incomes than any legislative package.

Clearly, last year's record production at home and good crops worldwide, along with weakened demand here and abroad, have caused commodity prices to fall. Lagging economic growth, high interest rates, and unemployment have all

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reduced the demand for U.S. farm products. As the dollar has strengthened--good news, generally--it has reduced the competitiveness of our agricultural commodities in export markets. The trade-weighted value of the dollar is up over 35 percent from its 1981 level. For some of our foreign customers this has meant a wheat price in their currency that is over 100 percent higher, despite a 10 percent decline in prices in terms of U.S. dollars.

So bringing down the deficits and interest rates do three very important things: it reduces farmers' production costs dramatically, it lowers the price that our foreign customers have to pay, and it provides a better environment for domestic and foreign grain handlers and processors to hold larger inventories.

It is most important that we not lose sight of the strength that characterizes American agriculture: that is, the ability of 2.4 million farmers to respond to the price signals of the marketplace. The current downswing is difficult for farmers... but it is not something new. Good years followed by bad typify our agricultural history. And our price support program exists partly to soften the impact of those swings. Still, we must avoid taking actions that serve only to confuse the price signals between producers and consumers. Agriculture must be free to respond to market conditions. Anything less endangers the long-term viability of America's most important industry.

We are beginning to see some signs of improvement. Prices at the farm are still below year-ago levels, but they have risen approximately 8 percent since December. The livestock sector is showing particular strength. This is significant because over 50 percent of gross farm income is derived from this sector. In May, prices received by farmers for hogs were 43 percent higher than they were in December. Cattle prices were up nearly 17 percent. Broiler prices, while somewhat variable, were about 14 percent higher. Recovery in our livestock markets has occurred because producers were able to respond to price signals. In the face of declining prices, significant adjustments in supplies--especially

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for pork--have been made by farmers. With reduced meat output, prices have rebounded upward.

The U.S. crop sector continues to reflect the impact of large world supplies, an exceptionally strong U.S. dollar, and favorable new crop prospects. However, grain and oilseed prices have been supported by increased Commodity Credit Corporation loan activity, heavy placements in the farmer-owned reserve, and some recovery in export demand.

We should not forget the important role that U.S. exports play in world trade. We provide three-fifths of the feedgrains that move in the world marketplace; two-fifths of the wheat; and three-quarters of the soybeans. Our domestic agricultural policies do affect world production and trade. For example, if U.S. loan rates are set too high, it encourages farmers in other countries to expand their production. Likewise, continuous acreage limitation programs in the United States are viewed as marketing opportunities by other exporting countries seeking to expand their production. While I am not opposed to temporary acreage reduction programs administered on a voluntary basis, the potential for perpetual land retirement under the rigid, mechanical, and mandatory provisions of H.R. 6274 concerns me. I am convinced it concerns most other farmers too.

The repercussions of the mistimed and misdirected actions that would result from the mechanistic features of H.R. 6274 extend beyond the farm gate. Our agricultural exports give rise to vitally important jobs and income within the domestic economy. Each $1 billion in lost wheat exports, for example, would cause a $2.2 billion reduction in GNP; a loss of 145,000 jobs; and lost personal income of over $1.5 billion.

In general, I believe that H.R. 6274 would have serious effects on the ability of the Department of Agriculture to offer commodity programs that improve the economic circumstances of farmers when they are under periodic

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market stress. Moreover, this bill would do significant damage to the competitive position of U.S. farmers in world markets.

Let me highlight some of the features of H.R. 6274:

- Producers of feedgrains, wheat, cotton, and rice already enrolled in the 1982 program would be able to divert an additional 5 percent of their acreage and receive payment.
- A nationwide referendum of farmers would be held to determine whether 15 percent of the cropland base would be set-aside beginning in 1983 for conservation purposes.
- If the referendum is passed, commodity loan rates would be increased by 10 percent.
- Also, if the referendum is passed, farmers failing to comply would be denied access to all federal farm programs for three years.
- If the referendum is defeated, a mechanistic voluntary acreage reduction program would be mandated when carryover stocks reach predetermined levels.
- Compliance in the voluntary acreage reduction program at a 15 percent set-aside level would qualify a farmer for a 5 percent (10 percent for cotton) loan rate increase. Farmers would also have the option to idle a higher proportion of the previous year's plantings in return for a greater increase in the loan rate.

In addition:

- Farm storage facility loan program guarantees would be provided up to a total of $250 million per year.
- Barter of agricultural commodities for strategic and critical materials would be encouraged.
- Emergency agricultural credit would be mandated under provisions of the Emergency Agricultural Credit Act of 1978.
- The agricultural export credit revolving fund should be funded at $1 billion for FY 1983.

I have serious reservations about many of these provisions. A 5 percent paid diversion program for the 1982 crops would not be effective. It is too late in the planting season to ask producers to alter their production decisions. Farmers already have prepared their ground and invested in seed and fertilizer. Feedgrains and other crops have largely been planted. Wheat is already being harvested. I see little reason to expect any major change in farmers' 1982

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participation decisions due to a paid diversion program. Any impact on 1982 crop prices and income would be minimal, at best.

H.R. 6274 would require that a general referendum be held each July to determine if farmers want to place 15 percent of their acreage in a national cropland conservation program. A set-aside would be implemented if 55 percent of those producers voting in the referendum approved. Farmers choosing not to comply with the set-aside would lose all federal farm program benefits (e.g., loan and reserve provisions, crop insurance, FmHA programs, conservation programs, etc.) for a three-year period.

This raises at least two serious problems. First, for some individuals, the incentive to vote in favor of the referendum with no intention to comply might be considerable. A second problem is that for those farmers choosing not to comply, there will be no means for helping them should a severe market downturn occur in the succeeding two years during which they would be ineligible. Some may reason that Congress will offer future versions of H.R. 6274 anyway, so why comply.

Even if the producer referendum were to fail, the Department would be severely restricted in its ability to design and implement farm programs. The predetermined trigger levels based on U.S. ending stocks would leave no choice but to implement acreage reduction programs. History shows that such rigidity is an open invitation to chaos in the farm sector. The current year provides a ready example of the harm that would be done under the rigid provisions of H.R. 6274. According to the stocks-to-use triggers in this bill, a reduced acreage program would not have been implemented in 1982 for feedgrains and cotton because of the drought-damaged 1980 crop which reduced the carry-in for 1981.

Specific problems with the mechanical acreage reduction process can also be cited. It is not clear that the 5 percent stocks-to-use trigger for wheat, the 18 percent trigger for feedgrains, and the 4.2 million bale trigger for

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cotton are appropriate. Also, the notion of basing next year's planted acreage on this year's beginning stocks in relation to last year's use is perplexing and misleading. Demand will be related to conditions in the upcoming year--having little to do with usage last year. If we are to have public intervention in the markets for agricultural commodities it must be in concert with the workings of the marketplace, and not causing confusion in the price signals consumers and producers depend upon.

I believe that our competitors would welcome the rigidity and certainty of adjustment on the part of the United States that H.R. 6274 requires. This year, for example, we have implemented an acreage reduction program and taken other actions, on a unilateral basis, to bring supplies more closely into line with demand. Even with a temporary program such as the one we have now, producers in other exporting countries are offsetting our efforts through their increased planted acreages. This problem would be exacerbated with the rigid provisions of H.R. 6274. It raises the question: "Just who is this bill trying to help?"

Canadian producers, for instance, have indicated their intention to increase wheat acreage by 3 percent in 1982. If this intention materializes, Canadian producers will have expanded acreage by 20 percent in 3 years, contributing in a significant way to the current burdensome world supply situation. Australian wheat acreage may be up 4 percent or more in 1982, after a 5 percent increase in 1981. Argentina's acreage may continue to rise following a 15 percent increase during the past 2 years. At the same time, wheat production in the European Community, principally in France, continues to grow under an export subsidy program and increased price guarantees. Acreage expansion in these exporting countries seriously undermines U.S. efforts to reduce world wheat supplies, and strengthen prices for producers in this country and around the world.

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The market is signaling that a reduction in output is needed this year, and many U.S. producers are responding by idling acreage. Other exporters are applauding U.S. farmers' actions as being beneficial to world prices and at the same time expanding their own production. It is not surprising that U.S. farmers are extremely and justifiably upset as they see our competitors taking over world markets while they reduce output.

I am aware that the Congressional Budget Office estimated there would be substantial budget savings over the life of H.R. 6274. USDA analysts are also examining the budget implications of this bill. What seems clear from both these analyses is that there would be an increase in outlays during FY 1983. Because agriculture operates in an environment of uncertainty—due to climatic, economic, and other uncontrollable factors—it is difficult to place much credence in budget estimates for future years. Furthermore, the bill's provisions are so complicated and depend on so many unknowns, such as the acceptance or rejection of referendums, that it is difficult to analyze the short-term impacts. Budget outlays—either costs or savings—are not the only issue; even more crucial is that in the long-term this bill would shrink America's agriculture base, which is presently the most productive in the world.

Turning to the other provisions of H.R. 6274, I do support the use of credit programs to promote agricultural exports. As you know, we are providing $5 billion in export credit guarantees plus $3 billion through P.L. 480 over the FY 1982-83 period. These programs are working well and I believe it is preferable at this time to work within existing authorities to promote agricultural exports. Also, the necessary authorities for the farm storage facility loan program already exist.

USDA also has the necessary authority to implement the Economic Emergency Loan Program. However, adequate credit is available and at this time most farmers have already obtained the credit necessary to plant their crops. Recent

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surveys by the American Bankers Association and the Federal Reserve indicate that member banks plan to continue to work with their farm borrowers to ensure that necessary credit is available. The Farm Credit System continues to provide funds. As a lender of last resort, the Farmers Home Administration stands ready with its regular credit programs.

Only five months ago, the Congress passed and the President signed into law the Agriculture and Food Act of 1981. The 1981 Act establishes or continues the authorities necessary for wheat, feedgrains, cotton, rice, peanut, soybeans, and other programs. In addition, the Act provides the authorities for a grain reserve program and an export revolving fund subject to the availability of appropriated funds.

Despite its comprehensive coverage, some have called the 1981 Act a "do-nothing" bill. This has not been the case. The 1981 Act, for example, provides a level of target price coverage for the 1982 crop that is comparable to that in earlier legislation. Overall, nearly $11 billion in net outlays will be distributed to farmers in connection with 1982 crops under provisions of the 1981 Act. Net outlays for ongoing CCC price support programs--which are designed to provide flexibility in dealing with surplus production situations such as we are now facing--will increase by around $6-1/2 billion in FY 1982.

Under the provisions of the 1981 Act, wheat, cotton, and rice producers have been asked to reduce their plantings by 15 percent. Feedgrain producers have been asked to reduce their plantings by 10 percent. Wheat and feedgrains will be eligible for reserve loans immediately after harvest for those who have participated in the program. Special reserve loan rates have also been increased substantially--the wheat reserve loan rate by 50 cents and the corn reserve loan rate by 35 cents.

Our acreage reduction program, together with the higher loan rates that we have offered with the farmer-owned reserve, will lead to an improved economic

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situation for farmers. Critical to such a conclusion, of course, is farmers' participation in the announced programs. There is every indication at this point that they will do just that. The final acreage reduction sign-up report showed that farmers had enrolled over 186 million acres of feedgrains, rice, cotton, and wheat base acreage in the 1982 acreage reduction programs. This represents 81 percent of the total base acreage. As of June 4, farmers in 18 states certified a total of 10.5 million acres of wheat or 38 percent of the base acreage. Final compliance will depend upon changes in the market between now and the compliance deadlines. The enrollment figures so far indicate, however, that this Nation's farmers are willing to take charge and make needed adjustments.

Again, let me reiterate, I recognize that some farmers are having difficulty. Programs are being offered under the provisions of the 1981 Act to assist them. Farmers do not want their income to come from the Federal government...they want it from a strong market. Thus, while we will provide needed assistance, we must not jeopardize the development of markets that our farmers must have for their longer-term prosperity. This Administration had such a concern in mind when it ended the Soviet grain embargo. More recently, the President has given strong and explicit notice of this Nation's intention to be a reliable supplier of agricultural exports. I have undertaken significant trade missions to promote trade and to vigorously state our position opposing trade barriers and unfair trade practices. All this was needed to try and undo some of the damage that the Carter embargo did to our reputation as a reliable supplier.

To summarize, we have a good set of programs in place. If anything, you should be encouraging farmers to participate in these programs and to help themselves during this difficult period. H.R. 6274 is not the answer. It offers rigid programs that have failed in the past, are failing right now in dairy, and would fail again in the future for grains if this legislation is enacted. Such an approach jeopardizes our position in world trade and will

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only work to farmers' long-term disadvantage. The mechanical nature of H.R. 6274's provisions is certain to yield nonsensical results and offers an open invitation to producers in other countries to expand their production at the expense of American farmers.

As Secretary of Agriculture, I would like nothing better than to come before you and say: Yes, this is a good bill, it will help farmers. But I cannot. My responsibility is to the farmers of this country. Potential short-term relief for purely political reasons at the expense of the longer-term viability of our agricultural industry is clearly self-defeating and not in the interests of either farmers or society. H.R. 6274 is truly a crisis bill, for a crisis in agriculture would be created with its enactment.

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News From
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Committee on Agriculture
U.S. House of Representatives

STATEMENT

CHARLES L. FRAZIER

June 9, 1982

THE FARM CRISIS ACT OF 1982, H.R. 6274

Mr. Chairman and members of the Committee, the officers and members of the National Farmers Organization appreciate this opportunity to express our support for congressional action along the lines set forth in H.R. 6274 and compliment you on arranging this hearing. We hope you will move quickly on the bill.

Before commenting specifically on the subject at hand, we also wish to compliment the National Farmers Union for their report on recent field hearings on the farm economy in the United States as of the Spring of 1982. We were pleased that Mr. Ed Jones' Subcommittee and the Rural Caucus gave that report a timely hearing. Reports from many areas through our own organization confirm the consensus that about one third of our farmers, particularly the younger families, face the threat of bankruptcy or other forms of forced liquidation. I will comment later on this threat of deepening depression in many rural areas.

We thank Mr. Daschle and other Members for initiating H.R. 6274. This bipartisan effort deals with the need for improved price levels on grains and cotton and offers farmers the opportunity to bring production back into reasonable balance with available markets.

We opposed the final provisions of the 1981 Farm Act because we considered those price supports inadequate. Many months were devoted to consideration of that bill and it would seem unnecessary to recite in detail today the effect of the accumulating carryover of grain stocks forecast for the end of this marketing year, the continuing high interest rates and the declining economy in most farm communities.

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In order to support this view with some factual observations, our NFO personnel chose one county in South Central Iowa and reviewed with bankers and other loan officers the status of farm loans and the economic outlook over the next twelve months for both farmers and small business people. We reasoned that it might be of some value to you to take a closer look at a typical grain and livestock community rather than to rely solely on national averages and reports in such large numbers that they are nearly incomprehensible.

In the county chosen, there are 981 producing farms of record in the county ASCS office. Of this number, 699 of the operators (71%) signed up to participate in the 1982 program. It is anticipated that a relatively high proportion will remain in the program when performance is certified.

There are two banks in the county and the customary pattern of loans have been made by the Federal Land Bank, the PCA and the FmHA.

There are 251 farm ownership loans outstanding and 448 operational loans of various types. All of the land ownership loans have been made by the Federal Land Bank; three of these are in trouble at this time and a few others have been modified or extended in recent months.

Of the outstanding operational loans, of all types, 158 were made by the FmHA. Three of these loans have only recently been extended; 8 others are behind on their payments. There were a number of applicants for additional money who could not be timely approved for this season's operations.

There seems to be a clear consensus among the loan officers that a substantial number of borrowers are in about the same financial position as of the same time last year --- however, equities have declined and it is obvious that the financial institutions have simply agreed to take a chance on one more year with a number of borrowers rather than to re-calculate equity values and the security positions. In other words, they have refrained from pressing borrowers in the hopes there will be a turn for the better in this farm economy in 1982. One manager stated flatly, "Continuation of these interest rates and present prices will raise hell with farmers and the credit structure if things don't change within this year."

There apparently have been a number of adjustments in purchases of fertilizers and chemicals. Some needed repairs and maintenance have been delayed. The conclusion is inescapable -- without some price improvements, the local economy will sink further into a real depression.

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That community is stable in its style of farming and doing business. Spokesmen for the Federal Land Bank Association have pointed out that the problems are more depressing in other communities where there have been heavy layoffs in local industries and in those areas where there are primarily cash grain producers.

The most startling reflection of the economic status of farming is shown in the business houses serving and dealing with agriculture in this region. One of the larger business centers serving Southeastern Iowa is located in an adjoining county. Population in this county seat is about 8500.

In the last year 22 business houses have closed. These business establishments that are now out of business were catagorized as follows:

Mainline machinery dealer
Auto parts dealer
Department store branch
Furniture dealer
Skel gas dealer
Feed dealers (2)
Building construction (3)
Concrete mix business
Commercial storage business
Lakefront marina
Variety store
Western Auto dealership
Tractor parts supply house
Drycleaner
Restaurants (3)
Landscaping business
Motorcycle dealership

This listing defines depression for many and it certainly illustrates the interdependence of farming and the small business houses in our rural communities.

We urge the Congress to act on H.R. 6274, particularly as it applies to the 1983-85 crops. It is late to proceed with program modifications for 1982. The combination of actions contemplated on grain price supports, increased land and water conservation, implementation of the Export Credit Revolving Fund and reopening the discussion of the grain export arrangement with the Soviets would offer a very badly needed lift in the farm economy.

If I may be helpful in response to questions, I will be glad to do so.

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National
Farmers Union

STATEMENT OF

ROBERT J. MULLINS
DIRECTOR OF LEGISLATIVE SERVICES
NATIONAL FARMERS UNION

PRESENTED TO THE
COMMITTEE ON AGRICULTURE
U. S. HOUSE OF REPRESENTATIVES

CONCERNING

H.R. 6274

"FARM CRISIS ACT OF 1982"

WASHINGTON, D. C.

JUNE 9, 1982

Mr. Chairman and Members of the Committee:

I am Robert J. Mullins, Director of Legislative Services for the National Farmers Union, an organization representing some 325,000 farm and ranch families throughout the principal agricultural areas of the United States.

I appreciate the opportunity to appear before the Committee today on behalf of the family-farmer members of our organization in support of H.R. 6274, the "Farm Crisis Act of 1982".

This bill is not all we would have wanted, it is not all we need, and it is not a panacea for the depression in rural America. However, we regard it as a step in the right direction.

At this point in the economic depression that is gripping rural America, we must set partisanship aside, we must set regional differences aside, we must set parochialism aside if the American agricultural system as we know it today is to survive.

On behalf of the Farmers Union I would like to commend Representative Tom Daschle for introducing this bill, the members of the Farm Crisis Group who worked diligently to construct it, and the other Members of the House who have co-sponsored it.

I need not take up the Committee's time with a long recitation about the economic conditions in America's agricultural community. Every leading newspaper, magazine and television network has reported on the

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situation in recent weeks. Many of ypu here today were present three weeks ago when our National President, George W. Stone, presented the National Farmers Union's report "DEPRESSION IN RURAL AMERICA" to the Congress.

We are thankful to Representative Ed Jones, Chairman of the Subcommittee on Conservation, Credit and Rural Development, Representative Jim Jeffords, ranking minority member of the Subcommittee, and Representative Wes Watkins, Chairman of the Congressional Rural Caucus for providing the forum for us to present that report.

In the report, the economic situation in rural America is documented not in hard cold facts and figures, but in the words of those men and women who are experiencing first hand the effects of the depression: families who have lost all they own; about neighbors who have taken their own lives out of desperation; of a feeling of rejection by those who should be concerned; and about an alienation from their government which seems more intent on collecting past due loans than saving farm families from economic collapse.

As I said earlier, the Farm Crisis Act will not solve all of the economic problems plaguing U.S. farmers today, but it would be a significant step forward in helping farmers bring supplies more in line with actual demand in the future.

When the bill was introduced several weeks ago, we were particularly pleased with the provisions in the measure which would have encouraged additional acreage cuts this year. Unfortunately, because the bill has not moved as expeditiously as many of us would have liked, the provisions applicable to this year's crop are, for all practical purposes, moot. However, we are pleased with the provisions in the bill which provide farmers the opportunity to vote on whether to set aside land next year for conservation purposes to bring down grain and cotton supplies in return for more adequate price support loan rates.

At the 80th annual convention of the National Farmers Union, held some three months ago here in Washington, D.C., our delegates adopted a Special Order of Business declaring that the:

> "Totally inadequate pricing provisions of the 1981 Farm Act will accelerate the three-year decline in farm income, creating the most severe cash-flow crisis in modern agricultural history."

The special order advocated a six-point remedial strategy, which included:

1. An increase in CCC loan levels to meet current costs of production;

2. Action to reduce interest rates to affordable levels;

3. An end to foreclosures and forced liquidations of family-sized farm units by federal agencies;

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4. Release of Economic Emergency Loan funds and adequate funding for on-going FmHA loan programs;

5. Reinstatement nationwide of the ASCS farm storage facility loan program; and

6. Rejection of further cuts in food and nutrition programs.

(STATEMENT ATTACHED)

While the Farm Crisis Act does not address all of our concerns, it is the only measure introduced so far, with broad bi-partisan support, which attempts to meet the critical needs which we have outlined.

Specifically, those provisions include:

1. A national referendum offering producers the choice for 1983 of reducing their cropland acreage by 15% in return for a stated increase in CCC loan rates. Should the referendum be rejected, a voluntary set-aside program would continue if the domestic carryover of major crops exceed specified limits.

2. $1 billion would be provided as start-up funds for the Agricultural Export Credit Revolving Fund.

3. An immediate start on negotiations for a multi-year grain export pact with the USSR would be encouraged.

4. The government would guarantee up to $250 million in loans for the construction of on-farm storage facilities, aimed at providing an additional 500 to 600 million bushels of capacity.

5. The Economic Emergency Loan Program would be extended for one year, retaining the existing $600 million cap on loans and reducing the maximum limit on loans from $400,000 to $200,000 per borrower.

As we pointed out earlier, while the opportunity for additional acreage reductions called for in H.R. 6274 for this year's crop has passed, the Congress can still act to provide some relief for 1982. We urge the Committee to increase the price support loan levels for the 1982 crop. This action may be the only hope for many producers facing bankruptcy or foreclosure today.

Fortunately, this legislation can be adopted, implemented and administered without increasing the Treasury cost as compared with the existing program.

But more important than the budget considerations would be the impact which future acreage reductions and immediate higher support levels would have on the farm economy.

At least this much should be done and done immediately.

As we said earlier, the Nation can no longer mark time hoping for an economic miracle, hoping that a recovery will take place by itself. This legislation can provide the spark of hope that conditions will become better for the producers of America's abundance of food and fiber. Without quick action, that spark of hope will be extinguished.

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National
Farmers Union

SPECIAL ORDER OF BUSINESS

Adopted by Delegates to
the 80th Annual Convention
National Farmers Union
Washington, D.C.
March 1, 1982

A MESSAGE TO THE AMERICAN PEOPLE
FROM AMERICA'S FAMILY FARMERS

The totally inadequate pricing provisions of the 1981 Farm Act will accelerate the three-year decline in farm income, creating the most serious cash-flow crisis in modern agricultural history.

At the same time, increased unemployment, reduced consumer earning power, and cuts in food and nutrition programs, are further dampening farm market prices by reducing the ability of consumers to purchase quality, nutritious foods. . When the additional factors of continuing high interest rates, a serious economic recession, and depressed export markets, are included in this negative formula, the equation spells disaster for the agricultural economy and its related industries.

We fully recognize that agriculture cannot borrow itself into prosperity. However, without the immediate infusion of additional farm credit resources at affordable interest rates, thousands of family-sized farm units will be liquidated. In the process, the nation will lose the newest generation of family farmers with their commitment, talents, education and innovative skills, in agriculture. Such a loss would be devastating to the future productivity, stability and continuity of agriculture and rural America. It would be an irreversible loss impacting the entire society for generations to come.

This Administration has systematically refused to recognize or understand the desperate conditions facing rural America. Instead of realistically and constructively acting to deal with this emergency, this Administration has only offered its repeated and mystical reliance on its special brand of economic platitudes. Farmers cannot wait for the promised millenium which this Administration believes is coming with the proverbial "light at the end of the tunnel". No matter how many turns or bends the Administration discovers as it travels down this tunnel, it will remain a dark maze without an end, foreclosing the future of agriculture in its passage.

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Therefore, Congress must act forcefully and independently to:

1. Increase Commodity Credit Corporation (CCC) loan levels to meet current cost of production.

2. Take necessary action to reduce interest rates to affordable levels.

3. Establish an immediate end to foreclosures or forced liquidations of family-sized units by federal agencies.

4. Require Farmers Home Administration (FmHA) to release immediately Economic Emergency Loan funds; authorize appropriate additional funding for ongoing FmHA farm loan programs; and restrict all FmHA farm loan programs to family-sized operators.

5. Fully reinstate a nationwide farm storage facility loan program through the Agricultural Stabilization and Conservation Service (ASCS).

6. Reject any further cuts in food and nutrition programs.

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PREPARED STATEMENT OF EDWARD ANDERSEN, MASTER, THE NATIONAL GRANGE

Mr. Chairman and Members of the Committee:

I am Edward Andersen, Master of the National Grange, with headquarters at 1616 H St., NW, Washington, DC.

The Grange, representing members in 41 States, wishes to thank you, Mr. Chairman, for calling a hearing of the full House Agriculture Committee to hear testimony on the crisis that exists in today's agriculture. We also express our appreciation to that group of Representatives referred to as the Farm Crisis Group for drafting legislation to meet some of the shortfalls of the Agricultural Food Act of 1981.

I am also Chairman of the National Farm Coalition, a group of general farm organizations, commodity groups and cooperatives, who have been joined together since 1969 to work for effective legislation benefiting the Nation's farmers. Many of the members of the Coalition have or will be making their own presentation before the Committee; therefore, I will not make a statement on the Coalition's behalf. I do ask, Mr. Chairman, that a statement on the present agriculture crisis and the recommendations of the National Farm Coalition be made a part of the hearing record. Thank you, Mr. Chairman.

The Grange continues its long history of developing and promoting programs, both within and outside government, to improve rural living through better health services, educational opportunities, and improved transportation and recreation facilities; in short, to do everything prudent and reasonable to protect and enhance the efficiency, the productive capacity, the human dignity, the economic quality, and the political and economic freedom of those

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who produce our food and fiber; that they have an equitable share of the wealth that they create, and enjoy the blessings which will assure a balanced economic society.

At the present time, Mr. Chairman, American agriculture is not, and hasn't for some time, enjoyed an equitable share of the wealth that they have created. 1982 marks the third consecutive year of sharply declining net farm income. Adjusted for inflation, real net farm income, as estimated by the U.S. Department of Agriculture, will be lower in 1982 than at any time since USDA began making such estimates early in this century. Even without the adjustment for inflation, net farm income will be less than one-half what it was in 1979. I don't have to dwell on the economic conditions present in the agricultural economy; they are as familiar to this Committee as they are to me. We share many of the same constituents and it's apparent that you have heard from the country, the same as I, that it's tough to be in farming in 1982.

Mr. Chairman, I don't share the optimism of those who say that agriculture has a bright future. We've heard this for years, and it may well be true. But there is only one future that concerns most of American agricultural producers -- the immediate future. And that future is mighty bleak. When prosperity finally comes, it may be too late for America's family farmers.

Certainly, a healthy economy would strengthen farm prices. High interest rates and a sluggish economy are depressing consumer demand -- domestic and international -- for agricultural products. But net farm income

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must first improve to assure supplies of quality products for consumers at reasonable prices. This country cannot allow its farmers to pin their only hope for profits on the possibility of crop failures in Brazil, in Russia, in Australia, and in Europe.

Any prudent farmer or rancher makes investment decisions based on the interest rate, projected income, and cost estimates. Net farm income has been too low and interest rates have been too high for farmers to invest in land and machinery. Inflation has pushed the costs of each so far as to make them nearly impossible to afford. Capital investments have been put off too long, and implement manufacturers' sales prove that producers are still forced to postpone purchases. Equipment must be replaced soon. Land prices in some areas are beginning to drop in response to demand. This is a danger signal to producers who have borrowed to the limits of appreciated land values.

Combined, these factors will have a profound impact on producers' decisions to stay in business. This country stands to lose many of its most efficient farmers not because they can't compete but because they cannot justify the risk of financial failure for such meager returns in the long run. Most of the farmers and ranchers whom I represent are not looking to get wealthy; they just want to make reasonable profit on their investments. Reasonably priced credit with a farm program designed for better prices will provide the necessary encouragement to assure a strong, competitive agricultural economy.

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A reliable indicator of how well farmers are doing is the sales of new farm equipment. If we need any more facts to show American agriculture is in a serious depression, they can be found here. The Farm and Industrial Equipment Institute announced at their recent meeting in Columbus, Ohio that 1982 sales are expected to drop 3 percent from the 1981 depressed levels. In January they had forecast a 5 percent gain from estimated 1981 sales.

In addition to high interest rates and low commodity prices, the latest survey cited farmers' lack of capital and financing, lower exports, a deterioration in the balance between farmers' debt and quity, and conservative spending attitudes, as the reasons for the slump in equipment sales. They are estimating 1982 net farm income at $16 billion, representing "the worst year for farmers since the Depression."

The National Grange did not support the Agricultural and Food Act of 1981 because it fell far short of providing farmers with incentives to comply with farm programs and protection from prices depressed far below the cost of production. Farmers now are harvesting the results of an inadequate farm program. Mr. Chairman, this Committee recognized the need for improvement in farm programs when you reported to the House Budget Committee that they should provide for an increase to $7.3 billion for CCC farm programs rather than the $1.85 billion figure in the first Administration budget.

The sign-up under the set-aside programs announced by the U.S. Department of Agriculture has been higher than even the Department anticipated. The final sign-up percentage of basic acres into the set-aside are

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wheat - 84.9%, corn - 75.2%, sorghum - 85.7%, cotton - 92.2% and rice - 88.8%. But sign up alone does nothing toward actual reduction; it's the percentage of final compliance that will tell if the program has been successful in reducing production and enhancing prices. The compliance figures are just starting to come into the Department for wheat from some of the smaller Southern wheat States. In the past, wheat growers have had a high percentage of compliance, 83% in 1978 and 63% in 1979, but the best estimates this year put the percentage of wheat grower compliance at 50%. I understand that rumors are coming out of Texas that compliance there is closer to 35 percent.

The Department is in the process of determining if they will announce the compliance figures as they receive them or wait until after the harvest is farther along and the compliance dates have passed before making an announcement. I can understand the Department's reluctance in making early announcements of the compliance percentages as it could influence a decision on compliance of a producer located in a State with a later compliance date. However, it would be helpful in the legislative process of increasing program incentives if the early compliance percentage were known.

The National Grange has reviewed H.R. 6274, The Farm Crisis Act of 1982. We find it to be a bold move in trying to repair the 1981 farm bill. We support many of its provisions, and we recommended most of them in our testimony on the 1981 farm bill. But we cannot support the bill as drafted. In short, it's too late to announce a paid diversion program for the 1982 crop year. The National Grange will support a paid diversion program as a part of an

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over-all acreage reduction program, with a certain percentage required as a set-aside in order to be eligible for program benefits, for the 1983 crop year, if such programs become necessary.

We also feel that a national referendum of the type envisioned in the bill cannot be structured by the Department of Agriculture and the results tabulated in time for an early announcement of the 1983 farm program. This is especially true for winter wheat. With as much at stake for the commodity producers involved in farm programs, the structure and organization of the referendum must be done in such a manner that the results reflect the views of those most affected by the programs called for in the referendum. The voting requirements must be more restrictive than what is proposed in the bill. Permitting all eligible farmers to vote in an Agricultural Stabilization and Conservation Service (ASCS) election could produce results that may be distorted and not of great benefit to Congress and the Department of Agriculture, who jointly share the responsibility for farm commodity program development. We also cannot support a referendum that contains such stiff penalties on a producer who does not comply with the program. It is our understanding that if a producer of a commodity whose program is determined by the results of the referendum opts out, he will be denied access to farm programs for three years. Farm programs in this instance includes all programs available to farmers from USDA, including FMHA, Federal Crop Insurance, etc. We can understand wanting to make such a producer ineligible for program benefits for three years, but even this has its problems. What is the purpose of such a strong penalty? Is it to gain greater acreage reduction through higher

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compliance and improvement in conservation measures? If that is the purpose, such a penalty may be justified. But we must point out that such a strong penalty could influence the outcome of the referendum. The National Grange is opposed to cross-compliance between farm programs and conservation practices and therefore would have difficulty supporting any farm program that had as one of its provisions cross-compliance with other USDA farmer assistance programs.

The National Grange is in support of the program alternative to a referendum that would require the Secretary of Agriculture to establish a voluntary set-aside program in any year when carryover of wheat, feed grains, cotton and rice reach certain levels. However, we believe that the percentage of set-aside and the level of the loan rate contained in the bill should be minimums and not pegged at a certain percentage or loan rate level.

We also support the following provisions of the bill: (1) it is the sense of Congress that at least $1 billion would be made available for the Agricultural Revolving Export Credit Fund and that it is also the sense of Congress that the Administration should take immediate action to begin negotiations with the Government of the USSR for a multi-year long-term agreement (LTA) on grain exports (attached to our statement is a copy of a telegram to the President regarding the LTA with the Soviets); (2) that in view of the oncoming large 1982 harvests and estimated higher carryover of grain stocks to the 1983 marketing year, it is highly important that Congress eliminate the discretionary authority provided the Secretary of Agriculture in the 1981 Omnibus Budget Reconciliation Act and the Agricultural and Food Act of 1981 in administering the On-Farm Storage Facility Loan Program. In its place, Congress should move to re-establish the mandatory availability of this valuable but inexpensive program as called for in Section 4(h) of the CCC Charter Act, enacted in 1948;

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(3) immediate release of the $600 million for use in the FmHA Economic Emergency Loan Program. Extend the program until September 30, 1983, retaining the $600 million cap, and reduce the limit on loan size from $400,000 to $200,000. Loans should be used for operating capital and not for farm enlargement; and (4) directing the Secretary of Agriculture to survey and expedite bartering of U.S. Goverment-owned agricultural commodities for strategic materials.

In addition, the National Grange recommends immediate action to increase the cash position of U.S. farmers. We have requested the Secretary of Agriculture to use his discretionary authority which he sought in the Agricultural Food Act of 1981, to (1) increase the loan rate and target price for the 1982 crops of wheat and feed grains; and (2) increase the storage payment on grain placed in the farmer-owned reserve to a level equitable with rates for commercial storage. Affirmative action on these recommendations would increase farmers cash position and provide economic incentives which we feel are necessary if the Acreage Reduction Program (ARP) is to be successful. To date, the Secretary has failed to take such action. We therefore call on Congress to mandate the Secretary to (1) set the loan rate for the 1982 crops at the following levels: Wheat - $4.00 per bu.; corn - $3.00; and soybeans at $6.00. Target prices should be set at levels to maintain the present relationship between the loan rate and target price; and (2) the storage payment for grain stored in the farmer-owned reserve should be increased from 26.5¢ per bu. per year to 34¢ and to 36¢.

Mr. Chairman, this concludes my prepared remarks. I want to express my thanks to you and the Committee for providing the Grange this opportunity to present its views on the crisis in agriculture. I'll be glad to respond to any questions you or members of the Committee may have. Thank you.

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NATIONAL FARM COALITION
April 22, 1982

Agriculture is the nation's number one business. The 2.4 million farmers and ranchers across the country have committed assets with an estimated value of more than $1.1 trillion to the production of food and fiber. The production, and marketing of food and fiber is the nation's largest employer, providing an estimated 23 million jobs. Agricultural exports are the largest positive factor in the nation's international trade balance.

Agriculture has achieved this economic stature while maintaining and improving production efficiency. Today, one farmer produces enough food to feed 78 people, three times the number in 1960. Fourteen percent of the consumer's disposable income is spent for food today, down from 20 percent in 1960.

Despite this record of solid achievement, the nation's farmers and ranchers face the most critical economic conditions since the years of the Great Depression.

1982 marks the third consecutive year of sharply declining net farm income. Adjusted for inflation, real net farm income, as estimated by the U.S. Department of Agriculture, will be lower in 1982 than at any time since USDA began making such estimates early in this century. Even without the adjustment for inflation, net farm income will be less than one-half what it was in 1979.

Farm debt has almost doubled in the past five years, rising to $194.5 billion this year. Agriculture today faces a farm debt to net income ratio of 13.2 :1, more than three times as high as it was in 1979.

These are general indicators of the deterioration of the nation's agriculture economy. More concrete are the foreclosures and forced farm sales taking place throughout the nation.

The combination of high interest rates, lagging export sales, inadequate crop prices as markets are burdened with product flowing from the farmer's response to the government's request for unrestrained production are threatening the basic stability of agriculture.

These conditions, coupled with weakness of the general economy have combined to produce major problems in other broad segments of agriculture, including meat and dairy production.

As a first step, the NATIONAL FARM COALITION supports maximum farmer participation in the announced reduced acreage program for 1982 crop wheat, feed grain, rice and cotton and pledges full cooperation to help the programs achieve their maximum effectiveness.

The NATIONAL FARM COALITION, on behalf of the undersigned members, recognizes the need to restore the nation to economic stability through reductions in the federal deficit. For the most part, sufficient legislative authority exists to address these current problems. Where it does not, we call upon the President and Secretary of Agriculture to work with the Congress to obtain the needed authorities.

Specifically, we recommend:

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1. That the President use his influence to immediately encourage adoption of policies by the Congress and the Federal Reserve Board that will result in the reduction of interest rates, including consideration of reduced military spending, elimination of tax loopholes including adoption of a minimum corporate tax, temporary deferral of 1981 tax reductions and review of indexed entitlement programs to reduce federal spending.

2. Reduction of program costs through use of authority provided in the Agriculture and Food Act of 1981 to increase the price support loan rates for 1982 crop wheat, feed grains, rice and cotton, thus reducing the prospect of deficiency payments to farmers. The Secretary of Agriculture should make immediate announcement of his intentions with respect to programs for the 1983 crops with full details announced later.

3. Immediate action to assure adequate storage capacity for the 1982 crop through one or more of the following, reinstitution of the Farm Storage Facility Loan Program, approval of a guaranteed loan program to finance construction, provide storage rates under the farmer-held reserve that are equitable in comparison with rates for commercial storage, and use of other authorities to meet the need.

4. Implementation of an aggressive agricultural export development program through funding of the CCC export credit revolving fund, institution of competitive export credit program and other action to lend stability to the markets including immediate negotiation of a new long term grain agreement with the Soviet Union.

5. That the administration work with dairy farmers in the development and support of legislation amending the Dairy Price Support Program that will reduce program costs and bring about the production adjustment needed to alleviate present overproduction while retaining the basic structure of the price support program.

6. As a means of enabling farmers to sustain themselves through the current agricultural depression, a moratorium on FmHA foreclosures for forced sales through 1983. We also urge the immediate use of the previously authorized funds for the FmHA Economic Emergency Loan Program and urge the expeditious processing of all FmHA loan applications.

Should the administration fail to take such actions, there is no other course available but for the Congress to act to re-establish the stability of American agriculture.

Grain Sorghum Producers Association
Land O'Lakes, Inc.
Midcontinent Farmers Association
National Association of Farmer-Elected Committeemen
National Association of Wheat Growers
National Corn Growers Association
National Farmers Organization
National Grange
National Milk Producers Federation
National Woolgrowers Association

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NATIONAL GRANGE ATTN LINDA NAIDA
1616 H ST NORTHWEST
WASHINGTON DC 20006

THIS MAILGRAM IS A CONFIRMATION COPY OF THE FOLLOWING MESSAGE:

2026283507 TDMT WASHINGTON DC 139 05-21 0920A EST
PMS PRESIDENT REAGAN, JOHN BLOCK, JOHN BROCK, ALEXANDER HAIG
WHITE HOUSE
WASHINGTON DC 20500
THE NATIONAL GRANGE STRONGLY ENDORSES IMMEDIATE NEGOTIATIONS WITH SOVIET UNION ON A NEW LONG-TERM AGREEMENT ON GRAIN SALES. THE SOVIETS ARE NEGOTIATING NEW AGREEMENTS WITH OUR COMPETITORS AND WILL SOON HAVE THEIR GRAIN IMPORT REQUIREMENTS MET. THIS WILL LEAVE U.S. FARMERS AS THE RESIDUAL SUPPLIERS OF GRAIN TO THE SOVIETS, A CONDITION THAT WILL NOT HELP THE DEPRESSION ENGULFING THE FARM ECONOMY. THE DANGER OF SENDING THE WRONG SIGNAL TO THE SOVIETS HAS PAST. WITH YOUR ANNOUNCEMENT ON OUR WILLINGNESS TO NEGOTIATE A START AGREEMENT IN THE ONGOING DISCUSSION IN GENEVA ON LIMITING MEDIUM RANGE NUCLEAR WEAPONS IN EUROPE, THE WAY IS CLEARED FOR A NEW LONG-TERM AGREEMENT. WE BELIEVE THAT A NEW LONG-TERM AGREEMENT WITH HIGHER LEVELS OF PERMISSABLE PURCHASES WILL INDICATE TO THE SOVIETS OUR DEDICATION TO REDUCING THE STRAIN ON THE RELATIONSHIP BETWEEN OUR TWO COUNTRIES.
EDWARD ANDERSEN MASTER OF THE NATIONAL GRANGE
1616 H ST NORTHWEST
WASHINGTON DC 20006

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Statement of U.S. Representative Bill Alexander

on the Farm Crisis Act of 1982

House Agriculture Committee

June 9, 1982

Mr. Chairman: I appreciate this committee's calling this hearing on the Farm Crisis Act of 1982, which was introduced May 5. I am a co-sponsor of the legislation.

I appear before this committee to speak in behalf of the bill not because I have all the answers but because I want to do everything I can do to help save the American farmer. Decisive action must be taken immediately and this bill makes sense. It addresses two problems that everyone concerned with the farm economy identifies as things that can be corrected.

The problems are an oversupply of farm products due to worldwide overproduction in 1982 and the low prices resulting from a lack of demand. We are faced with the age-old supply and demand problem.

This is nothing new or enlightening. But it is the basis for understanding the farm situation today. On May 4, I participated in a discussion with several of you of the problems of the farm economy. The distinguished Chairman of this Committee, Mr. de la Garza, spoke about the plight of our farmers who face the lowest income prospects since 1932. During the special order, the over-supply and lack of demand problems were recurrent themes.

I feel it necessary, before explaining how this bill addresses the two aspects of the problem in the farm economy, to state why we need to have any legislation at all to help the farmers. The farmers face a loss on this year's crop as a result of oversupply and lack of demand. That insures that their debt load will go up. It also makes it likely, and we have seen the beginning of this trend, that a large number will go out of business.

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Farm Exports

One way to reduce the oversupply and increase demand is to move some of our commodities to foreign markets. This bill encourages exports.

The growth in farm exports has been tremendous over the recent years. But projections for next year show that the growth trend will halt. The U.S. has become the predominate food and fiber exporting country in the world in the last decade. We cannot allow a signal to the end of that position by allowing the growth in exportation to halt and even decline.

Between 1970 and 1980, the value of farm exports increased from under $10 billion to more than $40 billion. Despite the great success of American farm exports the overall trade balance of the U.S. has been in deficit throughout the same period. This illustrates that the expansion of agricultural markets abroad is important not only to the survival of the farmer but also to the economy of the nation as a whole.

The government has encouraged farmers to produce for world markets but has not demonstrated the necessary vigilance and resolve through successive administrations, including this one, to protect the interests of our producers who are attempting to export the commodities they have produced at great cost, risk and effort.

Some administrations have imposed trade embargoes or moratoriums on exports. In some instances the problems for the farmers stem from selective policy decisions, often by the State Department which subordinated the interests of the U.S. citizens and farmers to the interests of foreign governmets. A case in point is the acquiesence of the U.S. government in the purchase of subsidized Japanese rice from Korea. That action caused massive losses to U.S. rice farmers and the American taxpayer during the last two years.

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I have often illustrated my feelings on this situation by saying to farmers that I would much rather have a Secretary of State who understands agriculture than a Secretary of Agriculture who understands agriculture.

There are a number of factors which add to the basic problems in the farm economy that I have outlined and which are addressed by this bill. Let me stray from those two basic points for a moment to talk about one problem which is exacerbating the situation.

High interest rates have led to an overvaluation of the dollar in relation to other currencies. While this may be beneficial to those vacationing abroad, it is wreaking havoc with our export industries, including agriculture. Our commodities become overpriced and less competitive and the effects are to deepen and lengthen the recession both here and abroad.

I would like to submit for the record an article by Caroline Atkinson in the June 3 Washington Post which elaborates on this same point.

Mr. Chairman, I believe that more can be done by this Congress and this administration to enhance farm income and produce conditions in which agriculture can participate in an overall economic recovery. Export policy is at the heart of the problem and must be addressed.

The Farm Crisis Act would inject a billion dollars of additional export credits into our efforts to sell a larger portion of today's inventory of farm commodities. It would utilize the authority for the CCC export credit revolving fund. This action would affirm our intention to be an active rather than passive exporting nation. It would show our producers that the U.S. government will stand behind their efforts to produce for world markets.

The bill would encourage the barter of our surplus agriculture commodities for strategic and critical materials such as petroleum and avoid the overvaluation of the dollar problem in foreign trade since the trade will not deal with currencies.

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It would also encourage the negotiation of a multi-year agreement with the Soviet Union to replace the one which will expire at the end of September.

These steps will further insure that the resolve and support of the U.S. government will be behind our farmers in their production efforts rather than opposed to them as in the past.

Reduce Production

There is a great reluctance among spokesmen for agricultural producers to push for reduced acreage. Nonetheless, I am convinced that we must act to raise domestic farm prices and one way to do this is to take land out of production. The Secretary of Agriculture acknowledged this when he announced the acreage reduction program in January. We must allow demand to catch up with supply if our farmers are to be able to receive a fair price for their products.

Inventory management is not easy. The large number of producers with independent operations are difficult to coordinate. Therefore, farmers must have adequate incentives to reduce acreage and they must have adequate assurances that other farmrs will follow suit.

The Farm Crisis Act provides a way to achieve these objectives. The Secretary is required to make land diversion payments on an additional 5 percent of the acreage in farms participating in the acreage reduction program. While it may be too late to implement such a program for 1982 crops, the World Agricultural Supply and Demand Estimates of USDA which were issued in May clearly indicate that acreage reductions will again be needed for the 1983 crops.

Barring a weather-related short crop this year, an acreage diversion program is essential for 1983. Such a program can actually save the government money as well as possibly prevent the bankruptcy of thousands of farmers by reestablishing a supply-demand balance.

I also support the producer referendum on an acreage reduction program of 15 percent for conservation purposes. Soil and water depletion is a concern in my part of the country (and others) and farmers should not be forced by the necessity of economic survival to

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produce fencerow to fencerow crops. My concern here is to maintain the future productivity of the land and at the same time insure better measures to reduce oversupply.

If farmers should be forced to decline the 15 percent acreage reduction due to their need to maximize cash income from the land, then I would support the continuation of a voluntary set-aside program managed by the Secretary with strengthened incentives.

On-Farm Storage

The Administration attempted last year to spread the myth that there was adequate on-farm storage capacity and that the farm facility loan program administered by the CCC was no longer needed. Even now, the Secretary is doing all that he can to prevent the full use of that program.

Encouraging on-farm storage, as this bill does, is another way to combat the glut on the market. There remains a great need for more on-farm storage capacity. The ability of a farmer to hold his products off the market until he can receive a fair price is essential. Since the Wayne Cryts case began to reveal the great risk to farmers in entrusting their grain to private elevators subject to possible bankruptcy, the need has become more evident.

In my district, many farmers who do have some storage have it filled form the 1981 crop, particularly with rice and soybeans. There is no market whatsoever for the rice and soybean prices have been very depressed since long before last fall's harvest.

I heartily endorse the provision in the Farm Crisis Act relating to the Farm Storage Facility Loan Program. The fact that these are guaranteed loans will prevent significant government outlays while securing essential benefits to farmers.

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STATEMENT BY THE HONORABLE VIRGINIA SMITH
TO THE HOUSE AGRICULTURE COMMITTEE
REGARDING H.R. 6274

MAY 9, 1982

I WOULD LIKE TO THANK YOU MR. CHAIRMAN, AND MR. WAMPLER, FOR SCHEDULING THESE HEARINGS AND ALLOWING ME TO TESTIFY BEFORE YOUR DISTINGUISHED COMMITTEE. IT IS A PLEASURE TO BE HERE.

THE LEGISLATION BEING DEBATED TODAY IS COMMONLY REFERRED TO AS THE "FARM CRISIS ACT". I PREFER TO CALL H.R. 6274 THE "FARM OPPORTUNITY ACT".

THIS MORE OPTIMISTIC TITLE IS CHOSEN BECAUSE I SEE H.R. 6274 AS AN OPPORTUNITY TO CORRECT SHORTCOMINGS IN THE 1981 FARM BILL AND AN OPPORTUNITY FOR CONGRESS TO EXPRESS ITS WISHES ON CRITICAL AGRICULTURAL PROGRAMS AND ISSUES.

AMERICAN AGRICULATURE IS IN POOR SHAPE. THOSE OF US FROM RURAL AREAS HAVE KNOWN THIS FACT FOR ABOUT THREE YEARS, BUT AGRICULTURE'S PLIGHT IS JUST NOW CATCHING ON BACK HERE IN WASHINGTON. REAL ADJUSTED INCOME FROM FARMING IN 1982 IS PROJECTED TO BE NO BETTER THAN IN 1933. THIS PROSPECT ALONE IS REASON ENOUGH FOR YOUR COMMITTEE AND THIS HOUSE TO ADDRESS AGRICULTURE'S PROBLEMS AND TAKE THE OPPORTUNITY TO FIND SOLUTIONS.

NO PIECE OF LEGISLATION IS PERFECT AND H.R. 6274 IS CERTAINLY NO EXCEPTION. THROUGH NO FAULT OF THE AUTHORS, BUT PRIMARILY DUE TO THE LATENESS OF THE PLANTING SEASON FOR SPRING CROPS AND ALREADY INITIATED HARVEST OF WINTER CROPS IN SOME PARTS OF THE COUNTRY, I SEE LITTLE REALISTIC CHANCE OF SIGNIFICANTLY CHANGING 1982 CROP PROGRAMS. HOWEVER, COMMODITY PROVISIONS REGARDING INCREASED INCENTIVES FOR ACREAGE REDUCTION, SUCH AS HIGHER LOAN RATES AND PAID LAND DIVERSION, SHOULD BE CONSIDERED FOR 1983 CROPS.

I WOULD LIKE TO NOTE THAT YOUR FORMER COLLEAGUE ON THIS COMMITTEE AND THE PRESENT GOVERNOR OF NEBRASKA, CHARLEY THONE, SUPPORTS COMMODITY PROVISIONS AS PREVIOUSLY OUTLINED AND FULLY SUPPORTS RESTORATION OF THE FARM STORAGE FACILITY LOAN PROGRAM, AND FUNDING OF THE EXPORT CREDIT REVOLVING FUND.

I HAVE ALSO RECEIVED LETTERS OF SUPPORT FOR H.R. 6274 FROM THE NEBRASKA W.I.F.E. CHAPTER AND THE NEBRASKA GRAIN PRODUCERS ASSOCIATION.

TURNING NOW TO SPECIFICS OF H.R. 6274, I WISH TO POINT OUT TITLE III AS IT RELATES TO THE FARM STORAGE FACILITY LOAN PROGRAM. THIS PROVISION PROVIDES $250 MILLION FOR STORAGE FACILITY GUARANTEED LOANS.

I HAVE INTRODUCED H.R. 6255 MANDATING THAT THE SECRETARY MAKE DIRECT OR GUARANTEED LOANS TO PRODUCERS WHO DEMONSTRATE NEED FOR ADDITIONAL STORAGE.

UNLESS WE ACT NOW, THE CRITICAL SHORTAGE OF GRAIN STORAGE FACILITIES WILL FORCE GRAIN INTO ALREADY DEPRESSED MARKETING CHANNELS. THE FARMER-HELD 3-YEAR RESERVE PROGRAM OFFERS FARMERS THE OPTION OF PUTTING THEIR GRAIN UNDER LOAN AND AGREEING TO KEEP IT IN THE RESERVE UNTIL PRICES REACH A HIGHER LEVEL. RECORD CROPS LAST YEAR, LOW PRICES NOW, AND PREDICTED LARGE CROPS AGAIN THIS YEAR ARE LEADING TO A DISASTEROUS STORAGE SITUATION THIS FALL.

USDA AND INDUSTRY EXPERTS EXPECT THE ADDITION OF 300-600 MILLION BUSHELS TO THE RESERVE PROGRAM. WITH STORAGE AT OR NEAR USABLE CAPACITY, WE FACE THE PROSPECT OF LARGE-SCALE DUMPING OF GRAIN ON THE GROUND IN MY DISTRICT. THE GRAIN STORAGE LOAN PROGRAM MUST BE REVITALIZED IF WE ARE TO PROVIDE A MEANINGFUL AND COMPLETE FARM PROGRAM.

OF COURSE WHAT PRODUCERS NEED MOST OF ALL RIGHT NOW IS A DECENT PRICE FOR THEIR PRODUCTS. EXCESS U.S. AND WORLD SUPPLIES COMBINED WITH LACKLUSTER DEMAND HAVE COMBINED TO HIT PRODUCERS WITH THEIR THIRD STRAIGHT YEAR OF DEPRESSED INCOME.

I COMMEND THE DEPARTMENT'S EFFORTS TO REDUCE SUPPLIES BY IMPLEMENTING AN ACREAGE REDUCTION PLAN AND WORKING TO EXPAND EXPORT MARKETS. REPORTS RESULTING FROM UNDER SECRETARY SEELEY LODWICK'S TALKS WITH THE RUSSIANS INDICATE THAT THE UNITED STATES IS WILLING TO SELL THEM ALL THE GRAIN AND WHEAT THEY CAN USE. IN ADDITION, RUMORED OBJECTIONS TO USE OF WESTERN CREDIT TO FINANCE THESE SALES HAS BEEN QUELLED.

THE RECENT REPORT OF SOVIET AGRICULTURAL FAILURE, ORIGINATING FROM THE KREMLIN, IS TESTIMONY NOT ONLY TO THE POWERS OF AMERICAN FARMERS AND RANCHERS BUT TO OUR SYSTEM OF PRIVATE ENTERPRISE AND INDIVIDUAL INCENTIVE.

TITLE VI ADDRESSES THE EXPORT ISSUE BY EXPRESSING THE SENSE OF CONGRESS THAT NOT LESS THAN $1 BILLION BE MADE AVAILABLE FOR THE AGRICULTURAL EXPORT CREDIT REVOLVING FUND.

CONGRESS AUTHORIZED THIS PROGRAM IN THE 1981 FARM BILL, BUT AS YET, NO REQUEST FOR FUNDING HAS BEEN SENT TO THE AGRICULTURAL APPROPRIATIONS SUBCOMMITTEE. I NOTE THAT INDUSTRY IS SUPPLIED WITH $13.4 BILLION IN DIRECT AND GUARANTEED EXPORT CREDITS THROUGH THE EXPORT-IMPORT BANK, WHILE AGRICULTURE STRUGGLES ALONG WITH $2.5 BILLION IN GUARANTEED EXPORT CREDIT, AND NO DIRECT LOANS TO DEVELOP MARKETS EXCEPT FOR A SMALL AMOUNT IN THE P.L. 480 PROGRAM.

I FIND THIS DIFFERENCE IN FUNDING FOR DEVELOPMENT OF EXPORT MARKETS HARD TO UNDERSTAND KNOWING THAT AGRICULTURE SHOWED A POSITIVE TRADE BALANCE OF $26.6 BILLION IN 1981, WHILE NONAGRICULTURAL GOODS SHOWED A NEGATIVE TRADE DEFICIT OF $60 BILLION.

ADDITIONAL EXPORTS WOULD HELP TRIM SUPPLIES AND AVERT WIDESPREAD FARM SALES SUCH AS WERE SEEN THIS WINTER AND ARE SURE TO CONTINUE IF AGRICULTURAL INCOME DOES NOT IMPROVE.

IN THE AREA OF FARM CREDIT, I RECOMMEND THAT THE COMMITTEE MANDATE USE OF THE FmHA ECONOMIC EMERGENCY (EE) FUNDS ON A CASE BY CASE BASIS.

FARMLAND VALUES IN MY STATE OF NEBRASKA HAVE DECLINED 13% IN REAL TERMS FROM FEBRUARY 1, 1981 TO ARPIL 1, 1982. THE ECONOMIC SQUEEZE CAUSED BY LOW COMMODITY PRICES, HIGH INTEREST RATES, AND DECLINING EQUITY IN LAND ARE COMBINING TO CREATE AN ECONOMIC CLIMATE NOT SEEN IN AGRICULTURE SINCE THE DEPRESSION.

THERE IS NEED FOR THE ECONOMIC EMERGENCY PROGRAM, AND I SUBMIT THAT IT CAN BE ADMINISTERED WITHOUT THE ABUSES THAT HAVE PLAGUED IT IN THE PAST. THE FARMERS HOME ADMINISTRATION CAN PREVENT BANKRUPTCIES OF WORTHY, KNOWLEDGEABLE PRODUCERS WHO NEED TEMPORARY HELP DUE TO THE UNUSUAL ECONOMIC SITUATION.

MR. CHAIRMAN THIS CONCLUDES MY REMARKS. THANK YOU FOR THE OPPORTUNITY TO COME BEFORE YOU AND THE COMMITTEE.

INTERRELIGIOUS
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Joint Statement for the Record by
Interreligious Taskforce on US Food Policy and Bread for the World
on HR 6274 "The Farm Crisis Act of 1982"
submitted to the
Committee on Agriculture
US House of Representatives
June 9, 1982

The Interreligious Taskforce on US Food Policy is a coalition of national Protestant, Roman Catholic, Jewish, and ecumenical agencies which work together in support of morally responsible US food policies at home and abroad. While the Taskforce speaks only for itself, our testimony conforms with the public positions of the major US religious bodies which cooperate in our work.

Bread for the World is a Christian citizens' movement which seeks to alleviate hunger by influencing public policy. We have members in every Congressional District, in every state, with a total of about 42,000 members nationwide.

We welcome this opportunity to present our common views to the Committee. The Taskforce and Bread for the World are equally committed to public policies which foster and encourage a widely dispersed family farm system of agriculture and which adequately insure world food stability and security. With these commitments in mind, we support HR 6274 with qualifications. Specifically, we support Titles II, III, and V, and Section 602, with appropriate amendments as suggested below.

Title II: Acreage Limitation and Cropland Preservation Programs

Our major concerns with Title II deal with loan limitations, grain reserves, and acreage reduction trigger points.

Loan Limitations

We strongly support increases in commodity loan rates of at least the magnitude proposed in the legislation, provided that a cap is placed on the amount of loans any individual farmer can receive per year. We would also support higher loan rates in this crop year as an alternative to the paid diversion provision in Title I. We urge you (a) to increase loan rates for

THE TASKFORCE IS A TEAM OF WASHINGTON-BASED STAFF OF NATIONAL RELIGIOUS AGENCIES. THESE BODIES OR THEIR PROGRAM BOARDS COOPERATE IN ITS WORK. AMERICAN BAPTIST CHURCHES, USA • AMERICAN JEWISH COMMITTEE • AMERICAN LUTHERAN CHURCH • BAPTIST JOINT COMMITTEE ON PUBLIC AFFAIRS • CHRISTIAN CHURCH (DISCIPLES OF CHRIST) • CHRISTIAN LIFE COMMISSION OF THE SOUTHERN BAPTIST CONVENTION • CHURCH OF THE BRETHREN • EPISCOPAL CHURCH • FRIENDS COMMITTEE ON NATIONAL LEGISLATION • JESUIT SOCIAL MINISTRIES • LUTHERAN CHURCH IN AMERICA • LUTHERAN CHURCH—MISSOURI SYNOD • MARYKNOLL FATHERS AND BROTHERS • MORAVIAN CHURCH IN AMERICA • NATIONAL COUNCIL OF CHURCHES AND CHURCH WORLD SERVICE • PRESBYTERIAN CHURCH IN THE US • REFORMED CHURCH IN AMERICA • UNION OF AMERICAN HEBREW CONGREGATIONS • UNITARIAN UNIVERSALIST ASSOCIATION • UNITARIAN UNIVERSALIST SERVICE COMMITTEE • UNITED CHURCH OF CHRIST • UNITED METHODIST CHURCH • UNITED PRESBYTERIAN CHURCH IN THE USA • BREAD FOR THE WORLD • CENTER OF CONCERN • NETWORK • WORLD HUNGER EDUCATION SERVICE. THE TASKFORCE, WHICH SPEAKS FOR ITSELF, PROVIDES INFORMATION AND RECOMMENDATIONS ON US FOOD POLICY TO ITS COOPERATING AGENCIES AND THE NATIONAL IMPACT NETWORK.

George A. Chauncey Presbyterian Church in the US Chair

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participating farmers in this and following crop years, and (b) to place a $150,000 annual limit on the amount of loans made to any farmer. Such a dual approach would help keep farmers in business while at the same time reducing existing program incentives to farm expansion beyond family size. These are matters of overriding public policy conern. It would also, compared to an open-ended approach, produce modest program savings which would at least partially offset higher outlays. Higher loan rates are more likely to attract a wider range of political support if a cap is included.

Farmer-Owned Reserves

We urge you to add policy language to this section to clarify that no acreage reduction program be undertaken in the absence of a prior provision for an adequately stocked farmer-owned reserve (FOR) for wheat and feed grains. Consistent with current practice and the goal of price and supply stability, substantial buffer stocks (especially those in the FOR) should be built up before resorting to an acreage reduction program. A 40 million metric ton total FOR would be an appropriate FOR minimum level to be reached before instituting an acreage limitation.

Trigger Levels

Current law gives the Secretary of Agriculture discretion to establish an acreage reduction or set-aside program in any given year if the Secretary "determines that total supply. . . , in the absence of such a program, will be excessive taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices and to meet national emergencies." HR 6274 would remove the Secretary's discretion if an acreage limitation referendum is approved or if carryover stocks exceed specified levels.

We support the concept of an automatically triggered acreage reduction/conservation program. In our view, however, several important changes need to be made for the proposal before the Committee to be supportable.

1. We recommend that the referendum approach also be triggered by projected carryover stocks reaching a specified level. Without such a trigger mechanism, producers could approve a referendum even when projected stocks were less than adequate to maintain reasonable and stable supplies.

2. We recommend that both the wheat and feed grain triggers be expressed as a percentage of world utilization. Given the sometimes volatile nature of the export market, basing the feed grain trigger on a percentage of exports plus domestic use, as is proposed, is of questionable merit. World utilization is more stable and more useful as an overall measure of world food demand.

3. We recommend that the trigger point for both wheat and feed grains be no less than 6 percent of world utilization, with provision for adjustment in future years if necessary. An appropriate carryover level can be determined in several ways. The Department currently uses 6 percent (the approximate 10-year average ratio of US stocks to world use,

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including the extremely low stock years of 1973-75) as the US "fair share" of world stocks when determining National Program Acreage. The five-year (including the 1981/82 projection) average ratio of US carryover stocks to world use is 6.5 percent for both wheat and feed grains. Alternatively, taking the five-year average US share of the export market (45 percent for wheat; 65 percent for feed grains) and applying it to average world carryover in the same years, the US fair share would be 8.8 percent and 7.9 percent for wheat and feed grains, respectively. Again using export shares but applying them to the FAO's 60-day minimum safe world stock level, the US fair share of world wheat stocks is 7.5 percent.

Based on recent levels of stocks and exports as well as the need to encourage other countries to establish reserves and to hold a fair share of stocks, 6 percent appears to be a reasonable minimum trigger level. (A 6 percent trigger would have established an acreage reduction program in four of the last six years for both wheat and feed grains had it been in effect.) Of course, the Secretary would still have discretionary power to enact an acreage reduction or set-aside program, on the basis of longer range forecasts of supply and demand, even if the trigger was not reached. The current feed grain program is a good example of how this could happen.

4. We urge you to consider a graduated acreage reduction approach. One possibility would be to trigger a not-less-than 10, 15, and 20 percent acreage reduction at a 6, 7, and 8 percent trigger, respectively. Such an approach would be more closely tailored to supply situations, without removing all discretion to implement a larger reduction.

5. We recommend that program eligibility and eligibility for other forms of federal farm assistance be conditional on participation on a year by year basis. A three year ineligibility period seems severe and inflexible.

Title III: Farm Storage Facility Loan Program

We strongly support this provision. Action is urgently needed to avert the impending farm storage shortage emergency. Such action would be consistent with the policy of using the FOR to its fullest potential.

Title V: Emergency Agricultural Credit

We support the implementation of the $600 million in economic emergency loans as long as the loan ceiling is reduced to at least $200,000, as provided for in the bill. We would support an amendment to reduce the ceiling to $100,000, thus making it parallel to the regular operating loan program and allowing limited funds to be distributed more widely. In addition, we strongly urge you to include the "family-size farm only" requirement of the regular operating and ownership loan programs in the policy language related to the emergency loan program.

Section 602: Grain Sales to USSR

We support the enactment of a new multiyear grain agreement and hope that negotiations proceed with all due haste. The stability to be gained from such an agreement should make it a high Administration priority.

We conclude by echoing the testimony of so many others before this Committee: action is urgently needed to respond to the current economic emergency in the farm sector. We believe that such action can and should be consistent with fostering the family farm system and insuring world food security.

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